



City of Baltimore, Maryland

Comprehensive Annual Financial Report
Year Ended June 30, 1997

Prepared by the Department of Finance

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ELECTED OFFICIALS

MAYOR

Kurt L. Schmoke

PRESIDENT OF THE CITY COUNCIL

Lawrence A. Bell

COMPTROLLER

Joan M. Pratt

BOARD OF ESTIMATES

PRESIDENT

Lawrence A. Bell

MAYOR

Kurt L. Schmoke

COMPTROLLER

Joan M. Pratt

DIRECTOR OF PUBLIC WORKS

George G. Balog

CITY SOLICITOR

Otho M. Thompson

CITY COUNCIL

Lawrence A. Bell, *President*

Agnes Welch, *Vice-President*

FIRST DISTRICT

John L. Cain
Nicholas C. D'Adamo, Jr.
Lois Garey

FOURTH DISTRICT

Sheila Dixon
Keiffer J. Mitchell, Jr.
Agnes Welch

SECOND DISTRICT

Paula Johnson Branch
Robert L. Douglass
Bernard C. Young

FIFTH DISTRICT

Helen Holton
Stephanie Rawlings
Rochelle "Rikki" Spector

THIRD DISTRICT

Rita R. Church
Robert Curran
Martin O'Malley

SIXTH DISTRICT

Dr. Norman A. Handy, Sr.
Edward L. Reisinger
Melvin L. Stukes

City of Baltimore
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Year Ended June 30, 1997

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CITY OF BALTIMORE

KURT L. SCHMOKE, Mayor

DEPARTMENT OF FINANCE

WILLIAM R. BROWN, JR., Director
469 City Hall
Baltimore, Maryland 21202

December 5, 1997

Honorable President and Members of
the Board of Estimates
City of Baltimore, Maryland

In compliance with Article VII, Section 8, of the revised City Charter (November, 1964), submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Baltimore, Maryland, (the City) for the year ended June 30, 1997, including the independent auditors' report thereon. The CAFR was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been provided.

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organizational chart, a list of principal officials and the certificate of achievement for excellence in financial reporting. The financial section includes the general purpose financial statements and the combining and individual fund financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The Reporting Entity and Its Services

This report includes all of the fund and account groups of the City which we consider to be part of, controlled by or dependent on the City. Professional judgment must be used to determine whether or not a potential component unit should be included in the reporting entity. Various potential component units were evaluated to determine whether they should be reported in the City's CAFR. Two component units, the Baltimore Industrial Development Authority and the Baltimore Community Development Finance Corporation, were considered to be part of the City's reporting entity when it was concluded that the City was financially accountable for these entities.

The City provides the full range of municipal services contemplated by statute or charter. This includes public safety (police and fire protection), water and waste water utilities, highways and streets, sanitation, health and human services, culture and recreation, education (elementary through high school), public improvements, planning and zoning, parking facilities, mortgage loan programs, industrial development and general and administrative services; these activities are included in the reporting entity. The Housing Authority of Baltimore City and certain other organizations are not considered to be component units and are not included in the City's general purpose financial statements.

Economic Condition and Outlook

Baltimore City is the center of the Baltimore Metropolitan area, the 15th largest metropolitan area in the country, and the location of about 380,000 jobs or 34.5% of the jobs in the metropolitan area. The City is the northern anchor of the Baltimore-Washington Common Market — the fourth largest, wealthiest, and one of the best educated population centers in the country. The proximity to Washington continues to be cited as a factor affecting location decisions including the recently announced decision of Sierra Military Health Services to bring 250 to 300 jobs to Baltimore to manage federal health insurance contracts.

As with almost every central city in the northeastern and midwestern portions of the United States, the City continues to lose population. According to the State Department of Health and Mental Hygiene estimates, the population dropped from 683,300 in January, 1996 to 669,900 in January, 1997, a 2.0% drop. Yield from the real property tax, the City's major source of revenue, declined for a third year in a row, reflecting the continued impact of the real estate recession of the early 1990's.

These trends are principal factors guiding program initiatives to offset concerns about public safety, schools, and home ownership opportunities in the City.

Despite certain long term negative trends, such as the continuing concentration of a disproportionate share of the State's poor and those most in need of costly public services, fiscal 1997 witnessed some remarkably positive economic news which bodes well for near term prospects. Encouraging signs of strength in the local economy, particularly employment and income, reflect the improved State economy and strong national economy. They include:

- Despite estimates of population decline, the estimated fiscal 1997 average resident employment was 1.8% above the prior year, continuing the turnaround started in fiscal 1994. The average annual unemployment rate, after peaking at 10.9% in fiscal 1993, has declined each year and averaged 8.0% in fiscal 1997.
- The decline in the number of jobs located in the City, which started in fiscal 1990, appears to have ended. Based on the most recent data, the average number of jobs in the first 9 months of fiscal 1997 is 0.2% ahead of the same period in the prior year. The improvements in the national and State economy, and Empowerment Zone and economic development program efforts all contribute to this important change.
- Figures from the Maryland State Comptroller's Office show that calendar 1996 net taxable income in Baltimore grew 4.9%. This surpasses by far growth seen since calendar year 1988.
- Housing market unit sales were up above 2% in fiscal 1997, the third consecutive year of increase.
- Measures of the commercial office vacancy rate show continued and significant improvement. Vacancy rates towards the end of fiscal 1997 have declined to about 19% from recession highs in excess of 23%. The class A office vacancy rate (defined as high rise buildings in the central business district built after 1961) has declined to about 12%. Class A office space in the Inner Harbor area is reported to be near full occupancy and developers have shown interest about new office building construction once again.
- Total passenger volume at the Baltimore/Washington International Airport increased by over 2% in calendar 1996. The availability of a first class airport with international connections has been cited as a reason for corporate headquarters or operations location decisions in Baltimore.
- Hotel taxable sales posted about an 8% growth in fiscal 1997, almost double the average rate of growth so far in the 1990's.
- Retail sales growth figures, while not totally comparable with prior year data due to changes in reporting adopted by the State Comptroller, point to growth of about 2%. Growth reflects (1) a stronger economy (2) urban re-investment strategies that major national grocery, pharmacy and other retailers are adopting, (3) re-invigoration of certain neighborhood commercial areas where there is an active residential market (Fells Point, Canton, Hampden, and Federal Hill neighborhoods among others), and (4) new investment in major projects such as the re-use of the Inner Harbor's Power Plant site as a large scale retail and entertainment complex.

Major developments like the Convention Center and the \$200 million professional football stadium are complemented by smaller scale but important projects. Fiscal 1997 saw the opening of the Institute of Human Virology (IHV), the premier center in the nation for viral research. It also saw the completion of a 13-story luxury apartment building at Inner Harbor East. In addition, a growing number of employers, representing a wide range of public, private and nonprofit operations, have moved to or expanded their job generating operations in Baltimore. A partial list includes: Sylvan Learning Systems; AT&T; World Com, Inc.; Lockheed Martin; T. Rowe Price; Crestar Bank; Chevy Chase Bank FSB; F & G Life Insurance; Prudential Insurance Group; BGE/Comfort Link; Johns Hopkins University; and Blue Cross and Blue Shield, among others.

MAJOR INITIATIVES

Within the tight constraints of a budget facing limited growth, the City of Baltimore continues to implement innovative programs and demonstration projects that in many cases are national models. National recognition has been achieved in areas as diverse as the pilot program for implementation of 3-1-1 non-emergency phone number, model Federal HOME low income housing programs, child immunization, and AIDS prevention programs, among others. Selected program initiatives follow.

Financial Management/Information Technology

Managing finances and budgets in the face of scarce resources and resident expectations to achieve program innovations requires prudent financial management. Fiscal 1997 initiatives and accomplishments included:

- Added \$800,000 to the General Fund Budget Stabilization (or “rainy day”) Fund, bringing the total fund balance to \$7.750 million at June 30, 1997.
- A performance measurement program review process between the Mayor and agencies was established to review progress towards stated objectives and actions to achieve targets. An automated performance measurement reporting system was developed and introduced. The unique reporting system will be implemented during fiscal 1998 on the corporate intranet.
- The Mayor established the Information Technology Board, chaired by the Mayor’s Chief of Staff, and comprised of the Directors of the Departments of Finance, Personnel and Public Works. The Board meets monthly and is responsible for oversight of and policy formulation for all City information technology matters.
- The Budget Planning and Forecasting System continues to be refined and made accessible to an expanded number of the City’s financial managers. In fiscal 1997, two additional agencies were added to the on-line tool, bringing to over 80% the proportion of the operating budget entered on-line. The balance of the agency budget submissions are keyed in centrally with the result that 100% of the appropriations are part of the new system.
- Work began on the systematic development of the City’s new client server based payables, purchases, and general ledger system scheduled to be in operation for March, 1998.

Education — Landmark Legislation Creates New City-State Partnership

Legislation enacted by the 1997 Maryland General Assembly creating a New Baltimore City Board of School Commissioners represents a singular accomplishment. Senate Bill 795 (Chapter 105 of the Laws of 1997), signed by the Governor on April 8, 1997, establishes a new partnership between the City and State to improve the quality of public education through increased funding. A marked departure from prior operations, the nine member board is jointly appointed by the Mayor and Governor from a list of qualified individuals submitted to them by the State Board of Education. This landmark legislation provides that the board is to raise the level of student academic achievement and improve the management and administration of the public school system through a variety of management, planning, evaluation, and procedural changes supported by additional State funding. The Board has the authority and responsibility for all school system functions including the adoption of rules and regulations and prescribing policies and procedures for the management, maintenance, operation and control of the school system.

The legislation provides for an increase of \$230 million in State aid to City schools. The increased operating aid payments commence with a \$30 million payment in fiscal 1998 and \$50 million in payments over the four succeeding fiscal years. This legislation and subsequent funding by the State implements provisions of the November 16, 1996 Consent Decree ordered by United States District Court Judge Marvin J. Garbis to settle education funding lawsuits that involved the City, the State Board of Education, the American Civil Liberties Union, and the Maryland Disabilities Law Center.

For accounting purposes, effective July 1, 1997, the New Baltimore City Board of School Commissioners will be accounted for as a separate legal entity and will be reported as a discretely presented component unit. Final transfer amounts have not yet been determined.

Enoch Pratt Free Library — Improved Access to Services

In fiscal 1997 the Library System completed the second year of a three year strategic plan which aims at achieving excellence in customer service, information dissemination, and staff development. The system builds upon its ranking as perhaps one of the top five or six large library systems in the nation in the use of technology. Its efforts to achieve excellence are reflected in awards from the Library Administration and Management Organization and the Library Public Relations Council for its annual report, Black History Calendar, and library card registration brochure. Fiscal 1997 initiatives included:

- Completed installation of integrated “next generation” system which provides seamless access to library catalog and services to support customer service and strengthen internal operations.
- Added over 250,000 titles, including a large part of the Library’s collections of U.S. government documents, to the public catalog to increase electronic access.
- Opened Kids’ Corners in branch libraries, offering basic computer training for children age two to ten.
- Launched a new mobile services fleet to carry library services to groups of underserved customers, such as children in day care centers, nursing home residents, and visitors to community centers and small shopping malls.

Building Baltimore as a Destination Visitor Attraction

A major thrust of the City's development program is the effort to build upon the City's stature as a visitor destination point. The \$151 million Baltimore Convention Center expansion — now offering 300,000 square feet of exhibit space, more than twice its original size — opened on schedule in September, 1996. Renovation of the older portions of the facility were completed in the spring of 1997. In April, 1997 the National Association of College Stores held its 74th annual meeting in Baltimore and became the first meeting to utilize the entire expanded and renovated facility.

Public Safety — Better Use of Resources to Make Community Policing a Reality

A major City objective is to reduce the fear and incidence of violent crime. Community policing is a vehicle to achieve these ends. The fiscal 1997 budget continued the plan to augment staffing resources available for community policing. It requires a labor intensive effort, increased staffing, and better use of existing staff. The Police Department in fiscal 1997:

- Received authorization for 30 additional police officer positions (for a cumulative total of 60) with funding from the federal grant, COPS Universal Hiring. This grant will eventually support the creation of 90 police officer positions.
- Redeployed 50 additional officers to serve in direct police service positions thus bringing to 300 the total number of sworn officers redeployed from indirect services pursuant to the Department's Development Plan.
- Hired retired police officers for 60 administrative positions to increase the number of police officers in direct police services.
- Dedicated staff to support the increase from 22 to 27 the number of Police Athletic League Centers now open throughout the City.
- Started 3-1-1, Baltimore's new non-emergency number, the first in the nation, and a successful program initiative which has decreased the workload of an historically overburdened 9-1-1 system, increased the officer's discretionary time, and resulted in more proactive community policing efforts at the street level.

Public Health — Prevention Initiatives Reduce Communicable Disease Incidence

The Baltimore City Health Department has established a record as a national leader in dealing with public health problems in urban areas. Through partnership with the community, the medical profession, and the support of Federal, State and private grants, the Health Department has created such model programs as the community-based TB prevention initiative, the Healthy Start Program funding extension, and the AmeriCorps Healthy Environment Initiative. Department efforts are reflected in fiscal 1997 statistics and initiatives:

- Increased the school immunization efforts to achieve an astounding 99.9% vaccination compliance rate among school-age children. This rate exceeds the national goals. Pre-school immunization rates have risen to exceed the State-wide averages.
- Reduced incidence of sexually transmitted and infectious diseases, including incidence rates for TB, mumps, gonorrhea, and hepatitis A, B, and C.
- Expanded capacity to address the spread of HIV by being the largest city in the nation to operate its own needle exchange program. Program use and acceptance exceeds expectations and preliminary results show success in decreasing the spread of HIV among participants. Mortality from HIV decreased 25% between 1995 and 1996.
- Achieved a record level of reported prenatal care — 94.6% of all expectant mothers reported care in their first or second trimester of pregnancy, and long-term improvements in the infant mortality and teen pregnancy rates.
- Initiated new programs for community based care including "Faith in Action" which involves religious organizations, a new Child Sight Program providing vision screening, developmental efforts for a City-wide Sanitation Enforcement Program, a college campus focused communicable disease education program, and the AmeriCorps Healthy Environment community outreach initiative, among others.

Housing — Moving towards the Goal of 50% Home Ownership

A primary City objective is to increase to 50% the rate of home ownership. In 1997, the Department of Housing and Community Development received national recognition from the Federal Department of Housing and Urban Development (HUD) which awarded Baltimore with its Blue Ribbon Practices in Community Development Award for Baltimore's "multipronged approach to creating decent and affordable housing." HUD indicated that it was revising national policy to facilitate the use by other local governments of HOME funding in the creative ways which Baltimore has developed. The Department's fiscal 1997 efforts to support home ownership included:

- Extended the popular and successful Settlement Expense Loan Program.
- Increased efforts to stabilize neighborhoods by taking more code violation cases to Housing Court and doubling the use of the demolition program to rid neighborhoods of abandoned properties. Approximately 1,000 units were demolished.
- By the end of fiscal 1997, nearly 200 home owners had qualified for a tax credit program providing a 30% reduction in property taxes over a five year period for purchasers of newly constructed properties.

Other new programs included grants for "Live Near Your Work Program" where City funds match state and private funds to encourage home purchases in older neighborhoods, sales of homes in public housing redevelopment projects, and programs targeted to increase home ownership in the City's Empowerment Zones and other neighborhoods.

FINANCIAL INFORMATION

Accounting System and Budgetary Control

The City's accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The accounting and financial reporting policies of the City included in this report conform to generally accepted accounting principles (GAAP) and reporting standards as promulgated by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA) and other appropriate sources. The financial statements of the General, Special Revenue, Debt Service, Capital Projects and Expendable Trust Funds are prepared on the modified accrual basis of accounting, whereby revenues are recorded when they become both measureable and available to finance expenditures of the current period. Expenditures are generally recorded when goods and services are received and actual liabilities are incurred and become payable with expendable available financial resources. The financial statements of the Enterprise, Internal Service, Nonexpendable Trust and Pension Trust Funds are prepared on the accrual basis of accounting whereby revenues/additions are recorded at the time they are earned and expenses/deductions are recorded when liabilities are incurred. Encumbrance accounting, under which purchase orders, contracts, approved requisitions and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the General, Special Revenue and Capital Projects Funds. Encumbrances are treated as a reservation of fund balance for these funds.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments." Information related to this single audit, including the schedule of financial assistance, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations, is included in the separate single audit report.

Budgetary control is maintained at the agency level in accordance with the Ordinance of Estimates as mandated by the Charter of Baltimore City for each operating fund and at the project level for each capital project by the encumbrance of estimated purchase or contract amounts prior to the release of purchase orders to vendors.

General Fund Operations

The General Fund accounts for all revenues and expenditures which are not accounted for in other funds. It is the principal fund of the City and finances most City governmental functions.

General Fund budgetary revenues and other financing sources totaled \$1,175,828,000 for fiscal year 1997, as compared to \$1,167,995,000 for fiscal year 1996, an increase of \$7,833,000 or .7%. Property taxes produced 39.8% of these revenues in fiscal year 1997 as compared to 39.6% in 1996. The following tabulation shows the source of these revenues.

Source	Fiscal 1997 Amount (In Thousands)	Percent of Total	Increase (Decrease) From Fiscal 1996 (In Thousands)	Percent of Increase (Decrease)
Local taxes:				
Property	\$ 468,448	39.8%	\$ 6,494	1.4%
Income	126,475	10.8	5,283	4.2
Other	79,611	6.8	9,570	12.0
Licenses and permits	17,477	1.5	1,126	6.4
Fines and forfeitures	2,287	.2	69	3.0
Interest, rentals and other investment income	34,069	2.9	2,658	7.8
Federal, state, and other grants:				
Education	334,892	28.4	(2,719)	(.8)
Other grants	51,286	4.4	1,197	2.3
Charges for current services	30,756	2.6	(147)	(.5)
Other	4,436	.4	(20,397)	(459.8)
Transfers from other funds	26,091	2.2	4,699	18.0
Totals	\$1,175,828	100.0%	\$ 7,833	.7%

Revenues from real and personal property taxes in fiscal year 1997 increased \$6,494,000 or 1.4% compared to the prior year, with a constant property tax rate of \$5.85 per \$100 of assessed valuation. This increase was due to a combination of factors, most importantly, an improvement in the overall economy.

Assessed valuations of all taxable property were \$8.281 billion, an increase of 1% over fiscal year 1996. Real property assessed valuations totaled \$6.864 billion, a decrease of 1% over the previous year.

The City's 1997 total property tax levy was \$483,008,548, of which \$466,781,906 or 96.6% was collected through June 30, 1997, which compares to 96.2% for the previous year. Delinquent tax collections were \$6,517,000 higher than in fiscal year 1996. The ratio of total tax collections to the current tax levy was 98.1%, compared to 96.3% last year.

Income tax revenue for fiscal year 1997 was up \$5,282,994 over the prior year due to the improvement in the economy.

Grant revenues, noted above, were primarily from the State, and represent decreased aid for Education of \$2,719,000 less than the prior year. In addition, other State aid to the City increased by \$1,197,000 over fiscal year 1996.

Other revenues were down \$20,397,000 from last year, attributable to a non-recurring health insurance premium refund in fiscal year 1996.

Budgetary based expenditures and encumbrances and other financing uses totaled \$1,164,573,000 for fiscal year 1997 as compared to \$1,162,754,000 for fiscal year 1996, an increase of \$1,819,000 or .2%, as shown in the following tabulation:

Function	Fiscal 1997 Amount (In Thousands)	Percent of Total	Increase (Decrease) From Fiscal 1996 (In Thousands)	Percent of Increase (Decrease)
General government	\$ 155,217	13.3%	\$ (1,040)	(.7)%
Public safety and regulation	274,657	23.6	(9,679)	(3.5)
Conservation of health	24,067	2.1	(1,765)	(7.3)
Social services	995	.1	86	8.6
Education	543,066	46.6	7,124	1.3
Public library	16,326	1.4	(723)	(4.4)
Recreation and culture	38,232	3.3	(1,664)	(4.4)
Highways	1,502	.1	(1,638)	(109.1)
Sanitation and waste removal	31,524	2.7	(2,572)	(8.2)
Public service	9,128	.8	2,735	30.0
Economic development	14,092	1.2	(3,465)	(24.6)
Transfers to other funds	55,767	4.8	14,420	25.9
Totals	\$1,164,573	100.0%	\$ 1,819	.2%

Education expenditures were up \$7,124,000 or 1.3% over fiscal year 1996, attributed to increased funding for general and special instruction and other operations.

Public safety and regulation decreased by \$9,679,000 or 3.5% from fiscal year 1996, attributed to a one time reduction related to the City's contribution for the Fire and Police Employees' Retirement System.

Transfers to other funds increased \$14.4 million attributed, primarily, to an increase in the amount forwarded to the Debt Service Fund from \$29.2 million in fiscal year 1996 to \$32.0 million in fiscal year 1997, and an increase in the amount forwarded to Capital Projects Fund for pay-as-you-go projects from \$7.2 million in fiscal year 1996 to \$21.3 million in fiscal year 1997.

The City concluded fiscal year 1997 with an unreserved fund balance, on the budgetary basis, of \$14,986,000. Of this amount, \$7,390,000 has been designated for subsequent year's expenditures. After allocating \$5,699,000 to satisfy additional liabilities recorded under GAAP, there remains an undesignated fund balance of \$1,897,000 on a GAAP basis.

Special Revenue Funds

These funds are used to account for revenues derived from certain State shared taxes, governmental grants and other revenue sources that are restricted by law or administrative action to be expended for specific purposes. Following are comments on the individual funds included under this category.

Grants Revenue Fund — The City government currently administers approximately 500 Federal, State and other sources supported grant programs in this fund. For fiscal year 1997, a total of \$159,764,000 was expended for various governmental operating functions which were supported from the following funding sources:

Source	Amount (In Thousands)
Federal grants	\$ 84,583
State grants	63,486
Other grants	11,695
Total	\$159,764

Grant appropriations are not closed out annually, but are carried forward to succeeding fiscal years as on-going programs until concluded or otherwise liquidated.

Motor Vehicle Fund — This fund was established to account for highway user revenues distributed to Baltimore City by the State of Maryland which must be used for the construction, reconstruction or maintenance of the streets and highways in Baltimore City and other related activities as provided for under applicable provisions of the State law.

Budgetary basis revenues credited to this fund, from State distributions and other sources, in fiscal year 1997 were \$183,259,000. Expenditures and encumbrances and other financing uses totaled \$173,716,000 for the year. At June 30, 1997, unreserved fund balance, on the budgetary basis, was \$7,657,000.

Community Development Block Grant Fund — This fund was established to account for the financial activities of Federal grant entitlements awarded to the City by the U.S. Department of Housing and Urban Development under provisions of Title I of the Housing and Community Development Act of 1974. Generally, these grants replace a number of former categorical grant programs for certain urban renewal, neighborhood development and model cities activities. These grants, which are awarded annually, do not have termination dates for incurring expenditures and remain open until fully expended by grant years. During fiscal year 1997, the City received \$33,592,000 in Federal funds for a like amount of incurred expenditures and financing uses.

Special Racetrack Fund — This fund accounts for State distributions of certain horse racing tax revenues to assist in the funding of services and facilities located within six miles of specified race tracks. During fiscal year 1997, the City received from the State a total of \$581,000 and had recorded expenditures and encumbrances and other financing uses for the year totaling \$518,000. At June 30, 1997, fund balance on the budgetary basis was \$481,000, of which \$419,000 was appropriated for fiscal year 1998 operations.

Enterprise Funds

The Enterprise Funds account for those operations that are financed and operated in a manner similar to a private business enterprise, where the cost (expenses, including depreciation) of providing services to the general public is recovered in whole or in part through user charges.

The following summary (amounts expressed in thousands) reflects results of operations for the Enterprise Funds for the current fiscal year:

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non- Operating Expenses	Operating Transfers (Out)	Operating Transfers In	Net Income
Water Utility	\$ 69,640	\$61,906	\$ 7,734	\$(3,049)			\$4,685
Waste Water Utility	100,405	99,333	1,072	(171)			901
Parking Facilities	37,382	4,979	32,403	(3,710)	\$(26,091)		2,602
Loan and Guarantee Program	2,214	4,013	(1,799)			\$2,393	594
Industrial Development Authority	4,207	4,070	137				137

Retirement Plans

Professional employees of the Department of Education and the Enoch Pratt Free Library are members of the State of Maryland Retirement System to which the City is not required to contribute. The City contributes to four retirement plans established for all other City employees and elected officials.

City laws require that contributions to its three funded pension systems be based on actuarial valuations. City contributions to the old Unfunded Fire and Police Plan (for eligible employees hired prior to January 1, 1947, all of whom are now retired) are not actuarially determined and are equal to the benefits paid.

The City's contributions to its pension systems for fiscal year 1997, and the actuarial accrued liability (excess) at June 30, 1997 (expressed in thousands) are as follows:

	City Contributions FY 1997	Actuarial Accrued Liability (Excess) at June 30, 1997
Fire and Police Employees' Retirement System (F&P)	\$ 9,350	\$(4,621)
Employees' Retirement System (ERS)	19,680	21,788
Elected Officials' Retirement System (EOS)	237	(1,066)
Unfunded Fire and Police Plan	7,140	40,213
	<u>\$36,407</u>	

The funding periods of the actuarial accrued liabilities of the F&P, ERS and EOS are 20, 20 and 10 years, respectively. The Unfunded Fire and Police Plan is on a pay-as-you-go basis and since all of its members are retired, the City expects to continue to fund this plan in accordance with the present method.

Debt Administration

The ratio of net general bonded debt to assessed valuation and the amount of net general bonded debt per capita are useful indicators of the City's debt position and are listed below:

	1997	1996
Ratio of net general bonded debt to assessed valuation.....	4.4%	4.1%
Net general bonded debt per capita	\$542	\$494

The following is a summary of general obligation debt activity (expressed in thousands) for fiscal year 1997:

Gross general bonded debt outstanding, July 1, 1996	\$416,293
Add:	
Bond sales, note sales, and accretion	37,603
Subtotal	453,896
Deduct:	
Bonds and notes redeemed in fiscal year 1997	12,461
Gross general bonded debt outstanding, June 30, 1997	441,435
Deduct:	
Self-supporting debt	41,991
Funds available in Debt Service Fund	36,485
Net general bonded debt, June 30, 1997	<u>\$362,959</u>

The preceding totals do not include \$21,713,000 borrowed from the State of Maryland for capital construction purposes which are not general obligation debt of the City as defined in the Maryland Constitution and the City is not required to levy taxes to meet the debt service requirements. The debt service is withheld by the State Comptroller from payments due the City as its share of distributions primarily from income taxes and highway user revenues.

As a hedge against an unfavorable fluctuation in market rates, the City has purchased interest cap insurance contracts on debt totaling \$40,000,000 which provides for payments by major financial institutions to the City in the event that short-term market rates exceed the levels as defined in the various agreements.

Temporary Investment of Cash Balances

The City, through the Office of the Director of Finance, pursues an aggressive cash management and investment program to achieve maximum financial return on available funds. Depending on cash needs, excess funds are invested on a short, intermediate or long-term basis at best obtainable rates. Investments are limited generally to direct or indirect obligations of the U.S. government and fully collateralized repurchase agreements.

The City utilizes the practice of recording investment income in the period in which it is earned. Investment income for fiscal year 1997 totaled \$21,747,000 for an effective yield of 5.5%. Earnings on investments include those funds which participate in the City's consolidated cash account. Not included are the Community Development Finance Corporation, Industrial Development Authority Fund, Pension Trust Funds and Employees Deferred Compensation Fund.

Risk Management

The City is self-insured in the area of casualty and property losses, including uninsured losses to City buildings and contents, vehicles, watercraft, boilers, machinery, workers' compensation and employers' liability, employees' health insurance, third party general liability and automobile liability losses. The fund is administered by the Office of Risk Management.

The two principal components of the Risk Management Fund are related to health coverage and to other insurable risks such as workers' compensation. Favorable claims experience resulted in the accumulation of a substantial balance in the health insurance account. This balance has now been reduced to a more reasonable level and totaled \$12.0 million at June 30, 1997. This reduction, together with existence of a long-standing liability in the other insurance component, resulted in a \$44.7 million deficit in the Fund as a whole. The deficit of \$56.7 million in the other risks segment of the Fund has remained relatively stable over the past several years as the City has funded this account on a cash flow basis. At June 30, 1997, this component had \$25.9 million in cash and investments available for claims payment. In addition, the City has existing authority to borrow up to \$20 million should more cash be needed for any extraordinary change in the pace of claims settlement.

Independent Audit

The City Charter established a Department of Audits under the general supervision of the City Comptroller. The Charter requires the City Auditor to “annually make a general comprehensive public report of the financial position of the City; in the discretion of the Comptroller, such report may be in the form of an opinion on the annual financial statements prepared by the Director of Finance.” The Comptroller has elected to have the City Auditor render an opinion as to the fairness of the Director of Finance’s presentation of the City’s general purpose financial statements. Additionally, the Board of Estimates awarded a contract to the nationally recognized independent certified public accounting firm, KPMG Peat Marwick LLP, to perform a joint audit with the City Auditor of the general purpose financial statements of the City for the year ended June 30, 1997. Their joint audit report is contained herein.

Future Operations

The General Fund adopted budget for fiscal 1998 estimates revenues and other financing sources at \$1,189,054,000, and includes \$11,111,000 for capital projects pay-as-you-go construction programs.

Overall, the General Fund fiscal 1998 budget reflects an increase of \$39,837,000 over the prior year, attributed principally to increased State aid for education. The fiscal 1998 budget process was completed prior to the implementation of the legislation creating the New Baltimore City Board of School Commissioners. Wage and salary scales for fiscal year 1998 have increased for most City employees.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Baltimore, Maryland, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1996.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this annual report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Bureau of Accounting and Management Information Services of the Department of Finance. We wish to express our appreciation to all members of the Bureau who assisted and contributed to its preparation. Special consideration is afforded to the following individuals for their extra effort in putting together this report.

John Jakubik, Accounting Systems Analyst II
David Pivec, Accounting Systems Analyst II
Robert Linzey, Accounting Systems Analyst II
Isser Goldsmith, Accounting Systems Analyst I
Brian Buleza, Accountant I

We are also grateful to the City's independent auditors, KPMG Peat Marwick LLP and the City Auditor for the professional assistance and advice they provided during the course of their audit. Finally, we would like to thank the members of the Board of Estimates and City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

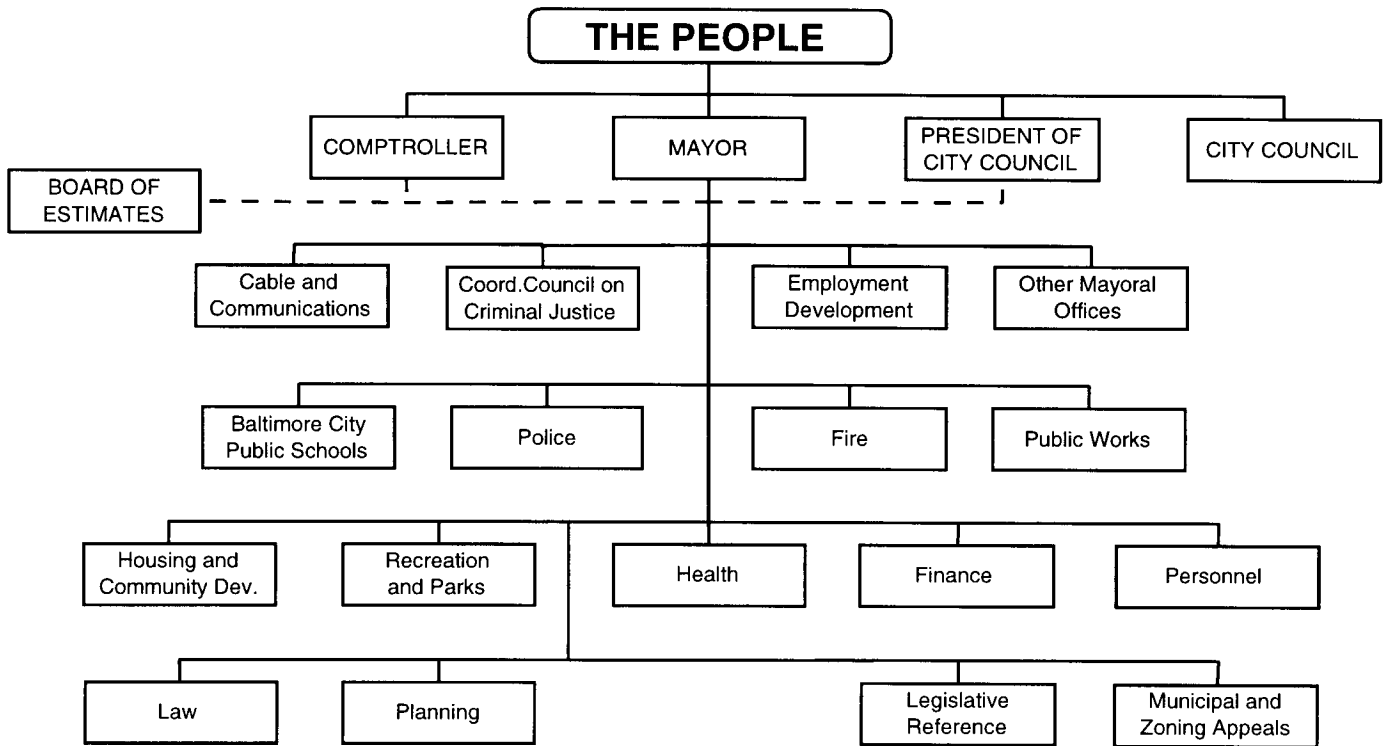
Respectfully submitted,

KURT L. SCHMOKE
Mayor

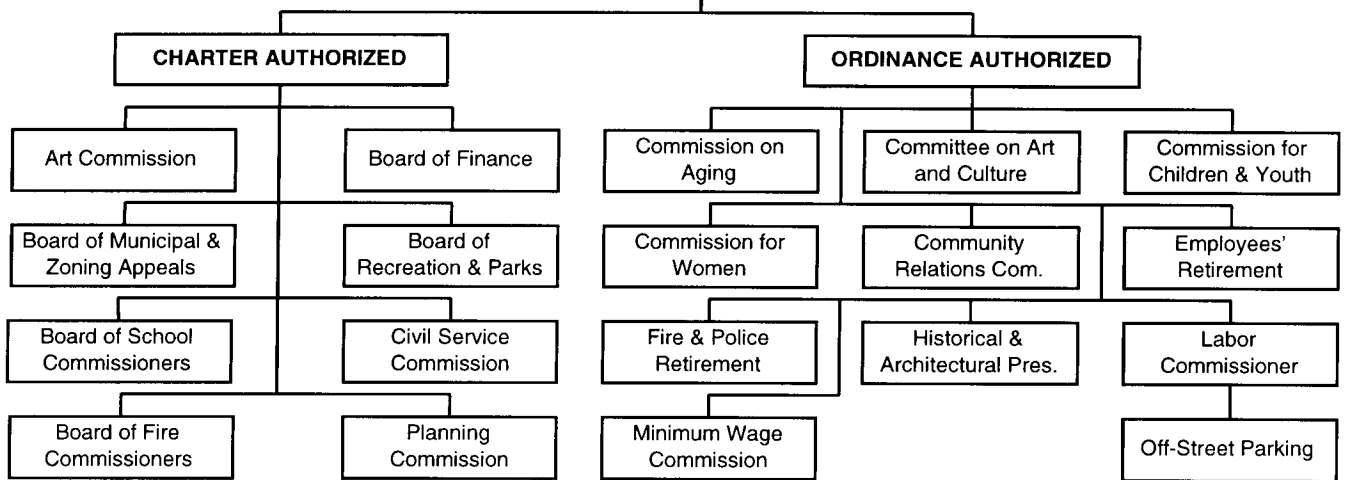
WILLIAM R. BROWN, JR.
Director of Finance

MUNICIPAL ORGANIZATION CHART

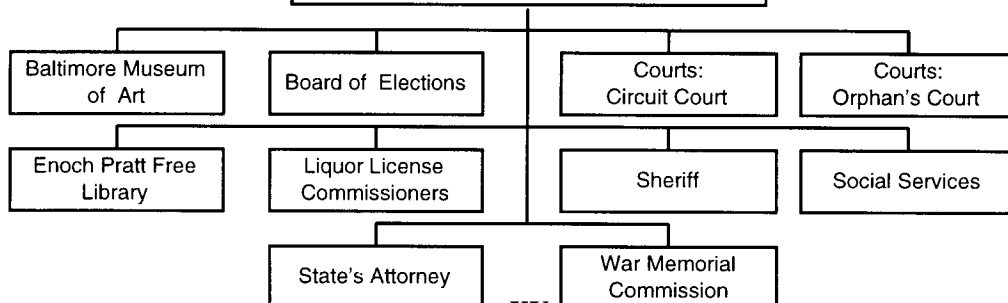
THE PEOPLE



BOARDS, AGENCIES, COMMISSIONS



ACTS OF STATE LEGISLATURE



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Baltimore,
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1996

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda K. Savitsky
President

Jeffrey L. Esser
Executive Director

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FINANCIAL SECTION

Comprehensive Annual Financial Report
Year Ended June 30, 1997

Independent Auditors' Report

December 5, 1997

The Mayor, City Council, Comptroller and
Board of Estimates of the City of Baltimore, Maryland:

We have audited the accompanying general purpose financial statements of the City of Baltimore, Maryland, as of and for the year ended June 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Baltimore, Maryland's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Community Development Finance Corporation, the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this entity, is based on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. The financial statements of Community Development Finance Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Baltimore, Maryland as of June 30, 1997, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Baltimore, Maryland. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The other data included in this report have not been audited by us and, accordingly, we express no opinion on such data.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 5, 1997, on our consideration of the City of Baltimore, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

David J. Lamantia
Audit Manager
Department of Audits

KPMG Peat Marwick LLP
Independent Certified
Public Accountants

CITY OF BALTIMORE
Combined Balance Sheet
All Fund Types, Account Groups and Discretely Presented Component Unit
June 30, 1997
(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Community Development Finance Corp.	Reporting Entity
ASSETS AND OTHER DEBITS												
Cash and cash equivalents	\$ 29,088	\$ 234	\$ 7,219	\$ 5,398	\$ 109,512	\$ 51,504	\$ 98,863			\$ 301,818	\$10,113	\$ 311,931
Investments	42,506		28,322	110,690	1,327	20,595	3,006,503			3,209,943		3,209,943
Property taxes receivable	16,490									16,490		16,490
Other accounts receivable, net	19,141	621	134	6,686	43,887	6,243				76,712	341	77,053
Due from other governments	18,712	159,764			1,710					180,186		180,186
Due from other funds	62,762		1,295	23,834			11,340			99,231		99,231
Inventories, at cost	5,793	1,330			2,983	288				10,394		10,394
Notes and mortgages receivable, net	11,638	4,467	10,915		66,970		9,622			103,612	29,734	133,346
Other assets	5,079	122		245	9,369	326				15,141	3,223	18,364
Restricted assets:												
Cash and cash equivalents					47,470	47				47,517		47,517
Investments					17,650					17,650		17,650
Accounts receivable, net					15,800					15,800		15,800
Due from other funds					27,665					27,665		27,665
Property, plant and equipment, net					1,112,689	44,983		\$1,896,343		3,054,015		3,054,015
Amount available in debt service fund for retirement of general long-term debt									\$ 36,485	36,485		36,485
Resources to be provided in future years									724,078	724,078		724,078
Total assets and other debits	\$211,209	\$166,538	\$47,885	\$146,853	\$1,457,032	\$123,986	\$3,126,328	\$1,896,343	\$760,563	\$7,936,737	\$43,411	\$7,980,148

See notes to general purpose financial statements.

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Community Development Finance Corp.	Reporting Entity
LIABILITIES, EQUITY AND OTHER CREDITS												
Liabilities:												
Accounts payable and accrued liabilities	\$ 75,130	\$ 28,498		\$ 15,977	\$ 16,776	\$ 4,946	\$ 12,280			\$ 153,607	\$ 488	\$ 154,095
Retainages payable				6,133						6,133		6,133
Property taxes payable — State	535									535		535
Due to other funds	1,295	61,317		138	51,500	1,306	11,340			126,896		126,896
Deposits subject to refund	6,339				9					6,348		6,348
Estimated liability for claims in progress						104,056				104,056		104,056
Other liabilities					17,122	3,138				20,260	9,304	29,564
Accounts payable from restricted assets					14,804					14,804		14,804
Deferred revenue	57,873	56,901	\$10,914		855				\$104,085	104,085		126,543
Vested compensated absences					353					353		104,085
Notes payable					392,961				56,385	449,346	16,825	466,171
Revenue bonds payable, net			486							486		486
Matured bonds — principal and interest payable							116,055			116,055		116,055
Deferred compensation benefits									472,460	480,473		480,473
General long-term debt payable					8,013				120,002	120,002		120,002
Capital lease obligations									7,631	7,631		7,631
Landfill closure and postclosure liability												
Total liabilities	141,172	146,716	11,400	22,248	502,393	113,446	139,675		760,563	1,837,613	26,617	1,864,230
Equity and other credits:												
Investment in general fixed assets												
Contributed capital					850,378	51,770		\$1,896,343		1,896,343		1,896,343
Retained earnings:										902,148		902,148
Reserved for:												
Revenue bond retirements					42,085					42,085		42,085
Unreserved (deficit)					62,176	(41,230)				20,946	16,794	37,740
Fund balances:												
Reserved for:												
Budget stabilization	7,751									7,751		7,751
Landfill closure	7,798									7,798		7,798
Encumbrances	29,053	1,417		86,828						117,298		117,298
Inventories	5,793	1,330								7,123		7,123
Other assets	1,748	122								1,870		1,870
Pension benefits							2,978,985			2,978,985		2,978,985
Library services							2,144			2,144		2,144
Scholarships and memorials							5,524			5,524		5,524
Unreserved:												
Designated for:												
Debt service			36,485							36,485		36,485
Subsequent year's expenditures	15,997	9,231								25,228		25,228
Undesignated	1,897	7,722		37,777						47,396		47,396
Total equity and other credits	70,037	19,822	36,485	124,605	954,639	10,540	2,986,653	1,896,343		6,099,124	16,794	6,115,918
Total liabilities, equity and other credits	\$211,209	\$166,538	\$47,885	\$146,853	\$1,457,032	\$123,986	\$3,126,328	\$1,896,343	\$760,563	\$7,936,737	\$43,411	\$7,980,148

See notes to general purpose financial statements.

CITY OF BALTIMORE
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
for the year ended June 30, 1997

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes — local	\$ 674,534					\$ 674,534
State shared revenue		\$180,569				180,569
Licenses and permits	17,477	267				17,744
Fines and forfeitures	2,287					2,287
Interest, rentals and other investment income	34,068	839	\$ 3,133	\$ 10,236	\$ 114	48,390
Federal grants	75	274,947		18,252		293,274
State grants	441,562	110,068		16,114		567,744
Other grants	177	41,057				41,234
Charges for current services	30,756	2,159				32,915
Miscellaneous	4,436	6		3,737	8	8,187
Total revenues	1,205,372	609,912	3,133	48,339	122	1,866,878
Expenditures:						
Current:						
General government	153,729	43,891				197,620
Public safety and regulation	271,881	47,353				319,234
Conservation of health	24,360	156,294				180,654
Social services	682	18,344				19,026
Education	599,834	144,805			42	744,681
Public library	17,805	3,965				21,770
Recreation and culture	38,499	2,639				41,138
Highways and streets	1,469	78,035				79,504
Sanitation and waste removal	31,839					31,839
Public service	9,049					9,049
Economic development	14,364	35,739		24,714		74,817
Capital outlay				162,534		162,534
Debt Service:						
Principal retirements:						
City bonds			7,524			7,524
Bond anticipation notes			2,896			2,896
State construction loans			3,197			3,197
Federal loans			3,376			3,376
Interest payments:						
City bonds			21,634			21,634
Bond anticipation notes			813			813
State construction loans			1,089			1,089
Federal loans			495			495
Revenue bonds			3,265			3,265
Fiscal charges			197			197
Total expenditures	1,163,511	531,065	44,486	187,248	42	1,926,352
Excess (deficiency) of revenues over expenditures	41,861	78,847	(41,353)	(138,909)	80	(59,474)
Other financing sources (uses):						
Proceeds from capital leases				500		500
Proceeds of general obligation bonds				35,370		35,370
Operating transfers in	26,091		42,912	83,010		152,013
Operating transfers out	(55,766)	(68,506)		(4,043)		(128,315)
Total other financing sources (uses)	(29,675)	(68,506)	42,912	114,837		59,568
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	12,186	10,341	1,559	(24,072)	80	94
Fund balances, July 1, 1996	57,851	9,481	34,926	148,677	1,987	252,922
Fund balances, June 30, 1997	\$ 70,037	\$ 19,822	\$ 36,485	\$ 124,605	\$2,067	\$ 253,016

See notes to general purpose financial statements.

CITY OF BALTIMORE

**Combined Statement of Revenues, Expenditures and Encumbrances and
Changes in Fund Balance — Budgetary Basis — General and Budgeted Special Revenue Funds
for the year ended June 30, 1997**

(Expressed in Thousands)

	General Fund			Budgeted Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes — local	\$ 663,512	\$ 674,534	\$11,022			
State shared revenue				\$167,742	\$180,569	\$12,827
Licenses and permits	16,916	17,477	561	274	267	(7)
Fines and forfeitures	2,374	2,287	(87)			
Interest, rentals and other investment income	34,149	34,068	(81)	3,976	839	(3,137)
Federal grants	80	75	(5)			
State grants	389,867	385,927	(3,940)			
Other grants	177	177				
Charges for current services	30,889	30,756	(133)	2,253	2,159	(94)
Miscellaneous	6,167	4,436	(1,731)	1	6	5
Total revenues	1,144,131	1,149,737	5,606	174,246	183,840	9,594
Expenditures and encumbrances:						
General government	160,965	155,217	5,748	13,962	13,890	72
Public safety and regulation	275,571	274,657	914	29,221	28,837	384
Conservation of health	24,098	24,067	31			
Social services	1,393	995	398			
Education	542,540	543,066	(526)			
Public library	16,905	16,326	579			
Recreation and culture	38,478	38,232	246	12	10	2
Highways and streets	1,502	1,502		78,740	78,723	17
Sanitation and waste removal	31,524	31,524				
Public service	9,214	9,128	86			
Economic development	14,305	14,092	213	68	68	
Total expenditures and encumbrances	1,116,495	1,108,806	7,689	122,003	121,528	475
Excess of revenues over expenditures and encumbrances	27,636	40,931	13,295	52,243	62,312	10,069
Other financing sources (uses):						
Transfers from other funds	22,895	26,091	3,196			
Transfers to other funds	(55,767)	(55,767)		(54,739)	(52,706)	2,033
Total other financing sources (uses)	(32,872)	(29,676)	3,196	(54,739)	(52,706)	2,033
Excess (deficiency) of revenues and other financing sources over expenditures and encumbrances and other financing uses	(5,236)	11,255	16,491	(2,496)	9,606	12,102
Fund balances, July 1, 1996 (budgetary basis)	35,428	35,428		9,096	9,096	
Fund balances, June 30, 1997 (budgetary basis)	<u>\$ 30,192</u>	46,683	<u>\$16,491</u>	<u>\$ 6,600</u>	18,702	<u>\$12,102</u>
Adjustments required under generally accepted accounting principles:						
Elimination of encumbrances outstanding		29,053			1,417	
Accounts payable not recorded for budgetary purposes		(5,699)			(297)	
Fund balances, June 30, 1997 (GAAP basis)		\$ 70,037			\$ 19,822	

See notes to general purpose financial statements.

CITY OF BALTIMORE
Combined Statement of Revenues, Expenses and Changes in Equity
All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Unit
for the year ended June 30, 1997

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types	Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Primary Government	Community Development Finance Corp.	Reporting Entity
Operating revenues:						
Charges for services, net	\$210,384	\$241,437		\$451,821		\$451,821
Interest and other investment income	3,464		\$ 470	3,934	\$ 3,913	7,847
Contributions			14	14	423	437
Total operating revenues	213,848	241,437	484	455,769	4,336	460,105
Operating expenses:						
Salaries and wages	51,483	20,532		72,015		72,015
Other personnel costs	14,036	5,850		19,886		19,886
Contractual services	58,035	21,691		79,726		79,726
Materials and supplies	11,573	12,489		24,062		24,062
Minor equipment	1,210	88		1,298		1,298
Claims paid and incurred:						
General liability		6,271		6,271		6,271
Property and casualty		494		494		494
Workers' compensation		35,989		35,989		35,989
Unemployment		2,013		2,013		2,013
Automobile — animal liability		1,379		1,379		1,379
Medical		155,229		155,229		155,229
Postage and delivery service		762		762		762
General government overhead	8,073			8,073		8,073
Bad debts	2,019			2,019	266	2,285
Depreciation	20,106	7,675		27,781		27,781
Benefits paid			232	232		232
Program expenses	3,690			3,690	1,133	4,823
Amortization of bond issuance costs	353			353		353
Interest	3,723			3,723	2,024	5,747
Total operating expenses	174,301	270,462	232	444,995	3,423	448,418
Operating income (loss)	39,547	(29,025)	252	10,774	913	11,687
Non-operating revenues (expenses):						
Investment income		2,216		2,216		2,216
Interest expense	(10,422)			(10,422)		(10,422)
Gain (loss) on sale of property	3,508	(634)		2,874		2,874
(Loss) on sale of investments	(16)			(16)		(16)
Net non-operating revenues (expenses)	(6,930)	1,582		(5,348)		(5,348)
Income (loss) before operating transfers	32,617	(27,443)	252	5,426	913	6,339
Operating transfers in	2,393			2,393		2,393
Operating transfers out	(26,091)			(26,091)		(26,091)
Net income (loss)	8,919	(27,443)	252	(18,272)	913	(17,359)
Add depreciation on fixed assets acquired by contributed capital	7,608			7,608		7,608
Increase (decrease) in retained earnings	16,527	(27,443)	252	(10,664)	913	(9,751)
Retained earnings (deficit)/fund balance — July 1, 1996	87,734	(13,787)	5,349	79,296	15,881	95,177
Retained earnings (deficit)/fund balance — June 30, 1997	104,261	(41,230)	5,601	68,632	16,794	85,426
Contributed capital — July 1, 1996	841,818	50,658		892,476		892,476
Additions	16,168	1,112		17,280		17,280
Less depreciation on fixed assets acquired by contributed capital	(7,608)			(7,608)		(7,608)
Contributed capital — June 30, 1997	850,378	51,770		902,148		902,148
Total equity — June 30, 1997	\$954,639	\$ 10,540	\$5,601	\$970,780	\$16,794	\$987,574

See notes to general purpose financial statements.

CITY OF BALTIMORE
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Funds and Discretely Presented Component Unit
for the year ended June 30, 1997

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types	Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Primary Government	Community Development Finance Corp.	Reporting Entity
Cash flows from operating activities:						
Operating income (loss)	\$ 39,547	\$(29,025)	\$ 252	\$ 10,774	\$ 913	\$ 11,687
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	20,106	7,675		27,781	71	27,852
Interest and other investment income			(470)	(470)	(4)	(474)
Amortization of bond issuance cost	353			353		353
Mortgage receivable principal repayments	902			902	7,472	8,374
(Increase) in notes receivable	(3,523)			(3,523)	(9,866)	(13,389)
(Increase) decrease in accounts receivable	1,087	(1,596)		(509)		(509)
Decrease in due from other funds	10			10		10
(Increase) in due from other governments	(1,710)			(1,710)		(1,710)
(Increase) decrease in inventories	(66)	226		160		160
(Increase) in issuance costs	(2,979)			(2,979)		(2,979)
(Increase) decrease in other assets	198	(34)	(4)	160	(32)	128
Increase (decrease) in accounts payable and accrued liabilities	1,780	3,037		4,817	(25)	4,792
Increase in estimated liability for claims in progress		17,275		17,275		17,275
(Decrease) in other liabilities	(2,543)	(701)		(3,244)		(3,244)
(Decrease) in deferred revenue	(162)			(162)		(162)
Increase in accrued interest payable	986			986		986
(Decrease) in notes payable	(35)			(35)		(35)
Increase in due to other funds	26,765	1,048		27,813		27,813
(Decrease) in due to other governments	(544)			(544)		(544)
Increase in deposits subject to refund	3			3		3
Net cash provided (used) by operating activities	80,175	(2,095)	(222)	77,858	(1,471)	76,387
Cash flows from non-capital financing activities:						
Operating transfers in from other funds	2,393			2,393		2,393
Operating transfers out to other funds	(26,091)			(26,091)		(26,091)
Net cash used by non-capital financing activities	(23,698)			(23,698)		(23,698)
Cash flows from capital and related financing activities:						
Proceeds from sale of revenue bonds, net	101,705			101,705		101,705
Acquisition and construction of capital assets	(58,769)	(8,880)		(67,649)		(67,649)
Change in restricted assets	22,861			22,861	29	22,890
Change in restricted accounts payable	3,603			3,603		3,603
Principal paid on revenue bonds	(103,067)			(103,067)		(103,067)
Principal paid on bonds	(2,075)			(2,075)	(840)	(2,915)
Interest paid	(17,002)			(17,002)		(17,002)
Proceeds (loss) from sale of property	3,508	(634)		2,874		2,874
Capital contributions	16,168	1,112		17,280		17,280
Net cash used by capital and related financing activities	(33,068)	(8,402)		(41,470)	(811)	(42,281)
Cash flows from investing activities:						
Proceeds (loss) from sale and maturities of mortgages and investment securities	(16)	17,077		17,061	4,758	21,819
Purchase of investments	(27)	(395)	(111)	(533)		(533)
Interest and other investment income	7,576	2,216	470	10,262		10,262
Net cash provided by investing activities	7,533	18,898	359	26,790	4,758	31,548
Net increase in cash and cash equivalents	30,942	8,401	137	39,480	2,476	41,956
Cash and cash equivalents, July 1, 1996	126,040	43,150	871	170,061	7,637	177,698
Cash and cash equivalents, June 30, 1997	156,982	51,551	1,008	209,541	10,113	219,654
Cash and cash equivalents (Expendable Trust Fund)			1,677	1,677		1,677
Cash and cash equivalents (Agency Funds)			1,254	1,254		1,254
Cash and cash equivalents (Pension Trust Funds)			94,924	94,924		94,924
Cash and cash equivalents, June 30, 1997	\$ 156,982	\$ 51,551	\$ 98,863	\$ 307,396	\$ 10,113	\$ 317,509

See notes to general purpose financial statements.

CITY OF BALTIMORE
Combined Statement of Changes in Net Plan Assets
Pension Trust Funds
for the year ended June 30, 1997
(Expressed in Thousands)

Additions:	
Contributions:	
Employer	\$ 29,222
Employee	7,622
Investment income:	
Net appreciation in fair market value of investments	430,423
Interest and dividend income.....	95,439
Total additions	<u>562,706</u>
Deductions:	
Retirement allowances	152,067
Death benefits	3,339
Administrative expense	2,234
Other	560
Total deductions	<u>158,200</u>
Net increase.....	404,506
Net assets held in trust for pension benefits:	
July 1, 1996	<u>2,574,479</u>
June 30, 1997	<u>\$2,978,985</u>

See notes to general purpose financial statements.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements

1. The Reporting Entity and Description of Funds and Account Groups:

A. THE REPORTING ENTITY:

The City of Baltimore was incorporated under the laws of the State of Maryland in 1797 and operates under an elected Mayor-Council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Baltimore (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as a blended component unit or as a discretely presented component unit.

Blended component unit. The Baltimore Industrial Development Authority, an entity legally separate from the City, is governed by a Board appointed by the Mayor and is financially accountable to the City government. The Baltimore Industrial Development Authority was established to finance capital construction projects such as water/waste water facilities and office buildings which solely benefit the City. The Baltimore Industrial Development Authority does not provide financing to other governments, private business or individuals. The financial statements of this component unit are, for reporting purposes, blended with that of the primary government.

Discretely presented component unit. The Baltimore Community Development Finance Corporation, a separate legal entity from the City, is governed by a Board appointed by the Mayor. Although this corporation is financially accountable to the City, its purpose is to provide loans for the citizenry's benefit and not that of the primary government. For financial reporting purposes, the Community Development Finance Corporation is reported in a separate column to emphasize that it is legally separate from the City.

Complete financial information regarding the component units, including their financial statements, can be obtained directly from the Director of Finance of Baltimore City, Room 451 City Hall, Baltimore, Maryland 21202.

Related Organizations. The City is responsible for appointing the board members of several entities, but the City's accountability for these organizations does not extend beyond making appointments. These boards include:

Baltimore City Foundation
Lexington Market
Baltimore Area Convention and Visitors Association
Baltimore City Life Museum
City of Baltimore Development Corporation
Empower Baltimore Management Corporation

In addition, the Housing Authority of Baltimore City (HABC) is considered a related organization. HABC is a separate legal entity from the City and is governed by a Commission of five citizens appointed to staggered terms by the Mayor. The Commission establishes the operating policies of the HABC, which are implemented under the direction of an Executive Director appointed by the Commission. The HABC develops, maintains and manages low-rent housing and administers Housing Assistance Payments Programs primarily for the Citizenry's benefit and not that of the primary government. These activities are subsidized by the U.S. Department of Housing and Urban Development and other grantors. Consequently, the primary government is not able to exert influence over nor impose a burden relationship upon the HABC. This organization is not financially accountable to the City and maintains its own separate accounting systems.

B. DESCRIPTION OF FUNDS AND ACCOUNT GROUPS:

The City's accounting system is organized and operated on a fund and account group basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with related liabilities and residual equities or fund balances, and changes therein, which are

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The various funds are grouped by type in the financial statements. The types of funds and account groups maintained by the City are as follows:

Governmental Fund Types:

General Fund — The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds.

Special Revenue Funds — These funds account for revenues derived from certain State shared taxes, governmental grants and other revenue sources that are restricted by law or administrative action to expenditures for specific purposes. Special Revenue Funds include the Grants Revenue Fund, Motor Vehicle Fund, Community Development Block Grant Fund and Special Racetrack Fund.

Debt Service Fund — This fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City, other than debt service payments made by the Enterprise Funds.

Capital Projects Fund — The proceeds of general obligation bond issues, State construction loans, governmental and other grants, and revenues from other sources appropriated for capital improvements, acquisitions and related programs are accounted for in this fund, except for those accounted for in the proprietary fund types.

Proprietary Fund Types:

Enterprise Funds — These funds account for operations of governmental facilities operated in a manner similar to commercial enterprises where the intent is to recover, in whole or in part, through user charges, the costs or expenses (including depreciation) of providing goods or services to the general public on a continuing basis. These funds include:

- **Water Utility Fund** — Accounts for the operations of the City's water supply system.
- **Waste Water Utility Fund** — Accounts for the operations of the City's sewerage system.
- **Parking Facilities Fund** — Accounts for the operations of the City owned off-street parking facilities.
- **Loan and Guarantee Program Fund** — Accounts for the City's economic development financing activities.
- **Industrial Development Authority** — Accounts for the activities of the City's industrial development authority.

Internal Service Funds — These funds account for the financing of goods or services provided by certain City agencies to various other agencies and programs of the City on a cost reimbursement basis. The following funds are included in this category:

- **Mobile Equipment Fund** — Accounts for the service, repair, operation and replacement of the City's equipment fleet except for that of the Department of Education.
- **Reproduction and Printing Fund** — Accounts for the operations of the City's printing shop.
- **Municipal Post Office Fund** — Accounts for the operations of the City's internal post office facility offering complete mail services, including interdepartmental pick-up and delivery services, for various City departments and agencies.
- **Municipal Telephone Exchange Fund** — Accounts for the administration and operations of the City's telephone exchange.
- **Electronic Equipment Maintenance Fund** — Accounts for the administration and operations of the City's telecommunications system.
- **Construction Management and Inspection Fund** — Accounts for the operation of in-house construction management and inspection services on City buildings, highways, bridges and utility construction projects. Reimbursement of costs is funded through charges to appropriate capital projects under construction.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

- Risk Management Fund — Accounts for the administration and payment of claims resulting from the City's self-insurance programs for general claims, workers' compensation claims, real property liability, motor vehicle liability, fleet driver liability and property damage claims, as well as medical and unemployment insurance for City employees.

Fiduciary Fund Types:

Transactions related to assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments are accounted for in fiduciary fund types. Fiduciary fund types are comprised of:

- An Expendable Trust Fund which accounts for assets received and expended by the City as trustee for the Scholarship Fund.
- Nonexpendable Trust Funds which reflect the transactions related to endowments provided to the City by private donors for the Enoch Pratt Free Library and Memorials.
- Pension Trust Funds which account for the receipt, investment and distribution of retirement contributions made for the benefit of policemen, firemen, elected officials and other City employees excluding professional employees of the Enoch Pratt Free Library and the Department of Education who are members of the State of Maryland retirement system at no cost to the City.
- Agency Funds which account for assets held by the City as a custodial trustee, principally the City Employees' Deferred Compensation Plan.

Account Groups:

- General Fixed Assets Account Group — This account group is used to account for the fixed assets of the City, other than those fixed assets reported in the Enterprise and Internal Service Funds. These assets are stated at their original cost and are not depreciated. Capital expenditures are carried in this account group as construction in progress until the projects are completed and are then capitalized by function and classification. Infrastructures, such as streets, highways, bridges, sidewalks, street lighting, traffic poles and signals, and storm sewers, are not reported in the General Fixed Assets Account Group. Such assets are immovable and of value only to the City.
- General Long-Term Obligations Account Group — This account group is used to account for the general obligation bonded debt of the City, capital lease obligations, vested compensated absences of governmental funds and long-term financing agreements other than debt related to the Enterprise and Internal Service Funds.

2. Summary of Significant Accounting Policies:

The accounting and financial reporting policies of the City included in this report conform to generally accepted accounting principles (GAAP), reporting standards as promulgated by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants and other appropriate sources.

Basis of Accounting:

The accounting and financial reporting applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the related fund liabilities are incurred except for debt service which is considered an expenditure when due, and accumulated employee leave which is considered an expenditure when paid.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Revenues which have been treated as susceptible to accrual include property taxes collectible within 60 days; locally imposed State-collected taxes on income; State-shared taxes; Federal, State and other grant and entitlement revenues; and interest earnings. All other revenues are recorded when received.

All proprietary funds, nonexpendable trust funds, pension trust funds and the Community Development Finance Corporation are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

GAAP allows governments to choose either not to implement, in proprietary fund types, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, unless those pronouncements are specifically adopted by GASB (provided that this is applied on a consistent basis) or to continue to follow FASB standards for these fund types. The City has elected not to implement FASB pronouncements issued after that date for its proprietary fund types.

The accrual basis of accounting is utilized by proprietary funds, nonexpendable trust funds and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents:

Cash and cash equivalents include demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the City.

Inventories:

Inventories are stated at cost, using primarily the moving average method. Inventories of governmental fund types are accounted for on the consumption method.

Unbilled Water and Waste Water Utility User Charges:

Unbilled water and waste water user charges are estimated and accrued at year end.

Property, Plant and Equipment:

Property, plant and equipment of the proprietary fund types are stated at cost. Depreciation for the proprietary fund types is computed using the straight-line method over the estimated useful lives, as follows:

Buildings	50 years
Improvements	20-50 years
Equipment	2-25 years

Depreciation recognized on assets acquired or constructed with contributed capital is closed to the appropriate contributed capital account from retained earnings.

Upon the sale or disposal of property, plant and equipment, the proceeds from the sale of general fixed assets are reflected as other financing sources in the Capital Projects Fund and gains or losses in the proprietary fund types.

Interest Cap Insurance Contracts:

During fiscal year 1997, the City had outstanding one interest cap insurance contract with a bank to hedge against the exposure of increased interest rates on City bonds that have floating interest rates. The contract expires November 1997 and caps rates at 12.375%. The contract recorded in the proprietary fund types has been recorded at cost and is amortized over the life of the contract using the straight-line method which is not materially different from the effective interest method.

Long-Term Debt:

General obligation debt expected to be financed from governmental fund types is accounted for in the General Long-Term Obligation Account Group. The general obligation debt recorded in the Enterprise Funds is intended to be financed

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

from these funds. All general obligation debt is secured by the full faith and credit of the City. The principal and interest of the revenue bonds recorded in the Water Utility, Waste Water Utility, Industrial Development Authority and Parking Facilities Funds are payable exclusively from the earnings of the respective funds, where applicable.

Gains and Losses on Early Extinguishment of Debt:

Gains and losses on the early extinguishment of debt are amortized over the shorter of the life of the new or old debt.

Bond Anticipation Notes:

All Bond Anticipation Notes (BANS) were initially sold as long-term debt with stated maturities greater than one year and cannot be accelerated by the note holders. The BANS are recorded in the General Long-Term Obligation Account Group because the stated maturities are long-term. Although the City has the authority to and may refinance these notes, it is not required to do so.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, approved requisitions and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General, Special Revenue, and Capital Projects Funds. Encumbrances are treated as reservations of fund balance in these funds because they do not constitute expenditures or liabilities. Encumbrances are reported with expenditures in all budgetary basis statements.

Total Memorandum Only:

The "Total Memorandum Only" columns are for overview informational purposes only. They do not fairly present financial position, results of operations or cash flows in conformity with generally accepted accounting principles and do not represent consolidated financial information.

Sick, Vacation and Personal Leave:

Employees earn one day of sick leave for each completed month of service; there is no limitation on the number of sick leave days that may be accumulated. At June 30, 1997, the estimated accumulated sick leave for the City was \$208,118,000. Sick leave benefit expenditures are not recorded until paid. A portion of unused sick leave earned annually during each twelve-month base period may be converted to cash for a maximum of three days, computed on an attendance formula. Upon retirement with pension benefits, or termination of employment after completion of twenty or more years of service without pension benefits, employees receive one day's pay for every four sick leave days accumulated and unused as of the date of separation; under any other conditions of separation, unused sick leave is forfeited. Vested unused sick leave for employees with service of 20 or more years, whose activities are accounted for in governmental fund types and similar trust funds are recorded in the General Long-Term Obligations Account Group. The liability is not expected to be paid from current expendable available financial resources. Vested unused sick leave for employees with 20 or more years of service, whose activities are accounted for in proprietary fund types and similar trust funds are recorded when leave is earned. The liability is not expected to be reduced in the succeeding year.

Employees can accumulate a maximum of 224 vacation and personal leave days depending upon length of service which either may be taken through time off or carried until paid upon termination or retirement. Accumulated vacation and personal leave for employees whose activities are accounted for in governmental fund types and similar trust funds are recorded in the General Long-Term Obligations Account Group. The liability is not expected to be reduced from current expendable available financial resources. Accumulated vacation and personal leave for employees whose activities are accounted for in proprietary fund types and similar trust funds are recorded when leave is earned. The liability is not expected to be reduced in the succeeding year.

Budgetary Data:

The Combined Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual — General and Budgeted Special Revenue Funds, reflects the budgeted and actual amounts for the General Fund, and only the budgeted Special Revenue Funds (Motor Vehicle and Special Racetrack Funds). Other Special Revenue

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Funds (Grants Revenue and Community Development Block Grant Funds) do not have annual budgets, since grant awards recorded in these funds span more than a single fiscal year.

Donated Fixed Assets:

Donated fixed assets are recorded at their estimated fair value at the date of receipt.

Estimated Liability for Claims in Progress:

The liability for claims in progress represents estimates for all personal injury, workers' compensation, unemployment, property damage and medical claims at June 30, 1997. This liability, which includes estimates for known and incurred, but not reported, claims, is based upon an actuarial valuation of the City's claim payment history.

Grant Revenues:

Revenues from Federal, State and other grants, the purpose of which is to fund specific City expenditures, are recognized at the time of the specific expenditures.

Property Tax:

The City levies an annual tax for the fiscal year beginning July 1 and ending June 30, on real and personal property located in the City, due and payable each July 1 (lien date), based on assessed values as of the previous January 1. These assessed values are established by the State of Maryland Department of Assessments and Taxation at various rates of estimated market value. A discount of 1% and 1/2% is allowed for payments made in July and August, respectively. Unpaid property taxes are considered in arrears on October 1, and penalty and interest of 2% is assessed each month after this date that the taxes remain unpaid. Tax liens on real property are sold at public auction in May in instances where the taxes have remained delinquent since the preceding October 1.

State law requires that all real property be reassessed every three years, and further provides that the amount of any increase over previous established market values be phased in over a three-year period. To accomplish the triennial assessment requirement, approximately one-third of all real property is reviewed annually. The City Council, effective with the fiscal year beginning July 1, 1991, enacted a 104% homestead tax credit program which will protect home owners from increases in assessments that are greater than 4% in any one year. The assessed value of real property in Baltimore City for the fiscal year 1997 was \$6,864,457,000, which was approximately 41.1% of the estimated market value.

The tax rate in Baltimore City for real and personal property for fiscal year 1997 was \$5.85 per \$100 of assessed value. Current collections were 96.6% of the total tax levy.

At June 30, 1997, the City had property taxes receivable of \$16,490,000, net of an allowance for uncollectible accounts of \$47,532,000.

Budget Stabilization Reserve:

State law authorizes its political subdivisions to establish reserve accounts for the purpose of maintaining fiscal stability in the event of economic downturns affecting local revenues. As of June 30, 1997, the City had reserved \$7,751,000 of its General Fund fund balance for that purpose.

3. Budgeting and Budgetary Control:

Annual budgets are adopted for the General Fund and all Special Revenue Funds, except the Grants Revenue and Community Development Block Grant Funds, on a basis consistent with generally accepted accounting principles (GAAP), except for certain miscellaneous general expenses which are not budgeted and encumbrances which are not recognized for GAAP. Budgets must be submitted to the City's Board of Estimates within 45 days of the end of the fiscal year. The Board of Estimates must then submit the budget to the City Council within 5 days of the end of the fiscal year.

Appropriations for a particular program, purpose, activity, or project may, upon the recommendation of the head of the municipal agency concerned and the Director of Finance and with the approval of the Board of Estimates, be carried over to the subsequent fiscal year to carry out the initial appropriation objectives. All appropriations not carried over

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

lapse at the end of the fiscal year in which they were made. In addition, funds encumbered for contracts, purchase orders or other actual commitments, as well as funds dedicated to grant programs and capital improvements are carried over to the ensuing fiscal year until utilized or cancelled.

The adopted budgets are prepared and appropriated on an agency, program, activity and object of expenditure basis by fund. Purchase orders which result in an overrun of either operating or capital balances are not released until additional appropriations are made available. Expenditures for each adopted annual operating budget may not legally exceed appropriations at the agency level. Administratively, the Department of Finance has the authority to move appropriations between activities of the same program within the same agency. The Board of Estimates has the authority to transfer appropriations between programs within the same agency. Only the City Council can transfer appropriations between agencies.

The City Charter permits further appropriations for programs included in the original ordinance of estimates made necessary by material changes in circumstances and additional appropriations for new programs or grant awards which could not reasonably be anticipated when formulating the original ordinance of estimates. These changes require supplemental appropriation ordinances. During fiscal year 1997, supplemental appropriation ordinances were required for the General Fund in the amount of \$12,254,000. In fiscal 1998, the City has approved a supplemental appropriation in the General Fund and Motor Vehicle Fund in the amounts of \$7,883,000 and \$2,365,000, respectively, for the purpose of eliminating budgetary deficits in the Departments of Public Works and Education in fiscal 1997.

Summarizations of the budgets adopted by the City Council for the General Fund and the Special Revenue Funds are presented in the Combined Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual — General and Budgeted Special Revenue Funds. The City's records are maintained on a budgetary basis and reported on a GAAP basis. The reconciliation of budget to GAAP follows:

Reconciliation: Budgetary to GAAP (Expressed in Thousands)	General Fund	Special Revenue Funds
Excess of revenues and other financing sources over expenditures and encumbrances and other financing uses —		
budgetary basis — fiscal year 1997	\$11,255	\$ 9,606
Change in encumbrances — fiscal year 1997 over 1996	5,865	909
Change in expenditures not recorded for budgetary purposes — fiscal year 1997 over 1996	(4,934)	(174)
Excess of revenues and other financing sources over expenditures and other financing sources (uses) —		
GAAP basis — fiscal year 1997	\$12,186	\$10,341

4. Cash Deposits:

The carrying amounts of the City's deposits with financial institutions, including non-negotiable certificates of deposits, as of June 30, 1997, was a net overdraft of \$17,042,000 resulting from the City's policy of investing the "bank float" (payments in transit) in order to maximize the amount of interest earnings. The bank balances were \$997,000 and are categorized as follows:

	(Expressed in Thousands)
Amount insured by FDIC or collateralized with securities held by the City or its agent	
in the City's name	\$620
Amount collateralized with securities held by the pledging financial institutions' trust departments	
in the City's name	377
	<u>\$997</u>

The Community Development Finance Corporation (CDFC) held cash and cash equivalents at June 30, 1997, totaling \$10,113,000. The majority of the Corporation's cash held is in two commercial banks. These balances exceed the FDIC limitations and are collateralized with securities held by the pledging financial institutions' trust departments in the name of the CDFC.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

5. Notes and Mortgages Receivable:

Notes and mortgages receivable as of June 30, 1997, consist of the following:

- The General and Special Revenue Funds have mortgages receivable of \$11,638,000, net of a \$1,000,000 allowance for losses, and \$4,467,000, respectively, collateralized by real property. These mortgages bear interest at rates ranging from 1% to 12% and mature over 30 years.
- The Debt Service Fund has mortgages receivable of \$10,915,000 collateralized by real property. These mortgages bear interest at rates ranging from 5.46% to 11.16% and mature over 30 years.
- The Loan and Guarantee Program Fund has notes receivable of \$17,211,000, net of an allowance for losses of \$60,102,000, collateralized by mortgages and deeds of trust. Interest bearing notes have rates ranging from 1% to prime plus 6% and mature over 40 years. At June 30, 1997, the prime rate was 8.50%. The allowance for these loans is estimated by management to be a reasonable provision for losses on these loans which were funded from the proceeds of general obligation bonds and federal grants.
- The Parking Facilities Fund has notes receivable of \$49,759,000 collateralized by real property. These notes bear interest at rates ranging from 6.1% to 6.9% and mature over 30 years.
- The Community Development Finance Corporation has notes and mortgages receivable of \$29,734,000, net of an allowance of \$16,171,000, collateralized by deeds of trust. The notes and mortgages bear interest at rates ranging from 0% to 15% and mature over 30 years.

6. Investments:

The City is authorized by State law to invest in direct or indirect obligations of the U.S. government, certificates of deposit and repurchase agreements. City policy requires that securities underlying repurchase agreements must have a market value of at least 100% of the cost of the repurchase agreement and the City takes possession of the securities when the repurchase agreement's maturity is over five days. The City has complied with this policy throughout the year.

The pension funds are authorized by City law to invest in obligations of the U.S. government and Canada, deposits in savings accounts, corporate bonds, publicly traded preferred and common stock, bankers' acceptance notes, the State's local government investment pool, loans secured by first mortgages, guaranteed investment contracts, covered call options and real estate equity investments. All of the deposits and investments of the pension funds are invested by outside money managers and are held under a custodial agreement.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees except employees of the Department of Education, permits them to defer a portion of their salary until future years. Investments are managed by the plan's administrator under one of five mutual fund options, or combination thereof. The investment options are determined by a committee comprised of management and employees. The choice of investment option(s) is made by the participants.

Investments made by the City are summarized below. Investments represented by specific identifiable investment securities are classified as to credit risk by the three categories below:

Category 1 — Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 — Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 — Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

(Expressed in Thousands)	Category		Carrying Value	Market Value
	1	2		
Repurchase agreements		\$62,283	\$ 62,283	\$ 62,283
U.S. Treasury and Agencies	\$ 686,296		686,296	687,671
Corporate bonds	214,808		214,808	214,808
Stocks	1,577,572		1,577,572	1,577,572
	<u>\$2,478,676</u>	<u>\$62,283</u>	2,540,959	2,542,334
Local governmental pool			2,155	2,155
Mutual funds			892,792	892,802
Mortgages			2,312	2,312
Guaranteed investment contracts			68,504	68,504
Real estate equity investments			87,248	87,248
			<u>3,593,970</u>	<u>3,593,355</u>
Less: cash equivalents			366,377	366,377
Total			<u>\$3,227,593</u>	<u>\$3,228,978</u>

Investments are stated at cost except for those in the Pension Trust Funds and the deferred compensation plan.

Investments in the Pension Trust Funds are reported at fair value. Short term investments are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Mortgages are valued on a basis of future interest payments, and discounted at prevailing interest rates for similar instruments. Real estate holdings are valued based on the most recent appraisal. Investments that do not have an established market are reported at estimated fair value.

Deferred compensation plan investments are stated at fair value as determined by the plan custodian.

At June 30, 1997, the City's retirement systems held foreign investments with a market value of \$127,113,014. These securities are subject to foreign exchange risk. At June 30, 1997, the retirement systems held currency options and forward contracts hedging their foreign investment position totaling approximately \$29 million in U.S. currency in denominations of French Franc, Japanese Yen, Deutsche Mark, Austrian Dollar, British Pound, Thailand Baht, and Netherlands Guilder. Gains and losses on these forward contracts are recorded as investment income or expense.

7. Property, Plant and Equipment:

General fixed assets of the City are recorded at cost. General fixed assets activity by major class and function and sources of investment in general fixed assets (amounts expressed in thousands) for the fiscal year ended June 30, 1997, are as follows:

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

General Fixed Assets	Balance July 1, 1996	Additions and Transfers	Retirements and Transfers	Balance June 30, 1997
Activity by major class:				
Land	\$ 144,921	\$		\$ 144,921
Buildings and improvements	1,169,308	12,341		1,181,649
Equipment	154,075	2,620	\$ 405	156,290
Construction in progress	369,919	67,026	23,462	413,483
Total	\$1,838,223	\$81,987	\$23,867	\$1,896,343
Activity by major function:				
General government	\$ 224,091	\$ 12		\$ 224,103
Public safety and regulation	71,842	17		71,859
Public works	35,562			35,562
Public health and welfare	12,449			12,449
Education	764,820	10,488	\$ 405	774,903
Recreation and culture	280,769	4,434		285,203
Economic development	11,941	10		11,951
Other	66,830			66,830
Construction in progress	369,919	67,026	23,462	413,483
Total	\$1,838,223	\$81,987	\$23,867	\$1,896,343
Sources of investment:				
Property acquired prior to July 1, 1966	\$ 382,504	\$ 156	\$ 405	\$ 382,255
Property acquired July 1, 1966 and thereafter:				
General fund	62,985	1,853		64,838
Motor vehicle fund	10,633			10,633
Revenue sharing fund	2,659			2,659
Special capital improvement funds:				
City funds	34,863	87		34,950
State construction loans	55,121			55,121
State grants	378,204	6,999		385,203
Federal grants	101,754	821		102,575
Debt proceeds	439,581	5,045		444,626
Various funds in construction in progress	369,919	67,026	23,462	413,483
Total	\$1,838,223	\$81,987	\$23,867	\$1,896,343

Composition of construction in progress (amounts expressed in thousands) as of June 30, 1997, is as follows:

	Cumulative Appropriations June 30, 1997	Expended to June 30, 1997	Commitments	Unencumbered Appropriations
Composition of construction in progress:				
General government	\$ 86,972	\$ 64,052	\$ 1,367	\$21,553
Public health and welfare	2,586	1,940	251	395
Public safety and regulation	90,726	50,377	36,168	4,181
Sanitation and waste disposal	29,081	11,446	1,412	16,223
Education	99,347	72,828	22,398	4,121
Recreation and culture	68,732	47,992	1,771	18,969
Economic development	201,267	159,250	9,750	32,267
Other	7,083	5,598	11	1,474
Total	\$585,794	\$413,483	\$73,128	\$99,183

Property, plant and equipment (amounts expressed in thousands) recorded in the Enterprise and Internal Service Funds as of June 30, 1997, consist of the following:

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Enterprise Funds	Land	Buildings and Improvements	Equipment	Accumulated Depreciation	Construction in Progress	Net Total	Commitments
Water Utility	\$12,232	\$357,894	\$ 41,747	\$(243,775)	\$146,370	\$ 314,468	\$31,197
Waste Water Utility	2,345	504,421	69,052	(223,055)	390,021	742,784	51,667
Parking Facilities	2,375	52,403	538	(6,641)	6,762	55,437	5,029
Total	\$16,952	\$914,718	\$111,337	\$(473,471)	\$543,153	\$1,112,689	\$87,893
Internal Service Funds							
Mobile Equipment	\$ 794	\$ 5,047	\$103,201	\$ (64,815)	\$ 50	\$ 44,277	
Reproduction and Printing			942	(872)		70	
Municipal Post Office			120	(76)		44	
Municipal Telephone Exchange			111	(106)		5	
Electronic Equipment Maintenance			209	(208)		1	
Construction Management and Inspection			325	(218)		107	
Risk Management			912	(433)		479	
Total	\$ 794	\$ 5,047	\$105,820	\$ (66,728)	\$ 50	\$ 44,983	

Interest is capitalized on proprietary fund type assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. During fiscal year 1997, net interest expense of \$7,375,000 (net of interest income of \$6,659,000) was capitalized.

8. Deferred Revenue:

Deferred revenue in the General Fund is associated with property taxes, mortgages receivable and other miscellaneous items.

Deferred revenue in the Debt Service Fund is associated with mortgages receivable.

Deferred revenue in the Special Revenue and Enterprise Funds is associated with grant funds received as of June 30, 1997, for which related expenditures or expenses have not been incurred, as well as sales of certain facilities.

9. Debt (Other Than Revenue Bonds):

A. LONG-TERM DEBT:

The City of Baltimore does not have a debt limit. However, the Constitution of Maryland requires a three-step procedure for the creation of debt by the City of Baltimore:

- Act of the General Assembly of Maryland or resolution of the majority of Baltimore City delegates
- Ordinance of the Mayor and City Council of Baltimore
- Ratification by the voters of the City of Baltimore

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

A summary of debt activity (amounts expressed in thousands) for fiscal year 1997 is as follows:

	Amount Payable July 1, 1996	Adjustments (b)	New Debt Issued or Net Increase in Obligation	Debt Retired	Amount Payable June 30, 1997
General obligation serial bonds:					
Highways	\$ 20,833	\$ 91		\$ 11	\$ 20,913
Health			\$ 50		50
Public safety	15,914	75			15,989
Off-street parking	33,862	146	650	680	33,978
Parks and recreation	12,038	66	1,030	116	13,018
Public buildings and facilities	22,691	147	5,246	77	28,007
Schools	59,625	587	10,766	50	70,928
Waste water and storm sewer	19,479	310		300	19,489
Urban renewal and development	196,751	654	17,628	6,291	208,742
Water	5,910	43		2,040	3,913
Waste disposal	5,110	114			5,224
Total bonded debt	392,213	2,233	35,370	9,565	420,251
Bond anticipation notes	24,080			2,896	21,184
Long-term financing with the Federal Government:					
Federal economic development loan	23,088			3,185	19,903
Environmental Protection Agency loan	2,001			191	1,810
Total long-term financing with the Federal Government	25,089			3,376	21,713
Long-term financing with the State of Maryland (a):					
School construction loans	78			58	20
Highway construction loans	7,806			2,272	5,534
State economic development loans	11,782			867	10,915
Sewer construction loans	891			35	856
Total long-term financing with the State of Maryland	20,557			3,232	17,325
Total long-term debt	461,939	2,233	35,370	19,069	480,473
Less: amount recorded in Enterprise Funds	9,964	123		2,074	8,013
Total general long-term debt	\$451,975	\$2,110	\$35,370	\$16,995	\$472,460

- (a) Under the Constitution of Maryland and applicable State law, certain State loans are not general obligation debts of the political subdivisions, and the political subdivisions, including the City of Baltimore, are not required to levy taxes to meet the debt service thereon. The debt service is deducted by the State Comptroller from payments due the City for its share of distributions from State income taxes and highway user revenues.
- (b) The Mayor and City Council of Baltimore issued, as fully registered bonds, \$67,062,500 in Series A General Obligation Bonds dated March 1, 1995. The Series A Bonds consist of current interest bonds and capital appreciation bonds issued to advance the refund of certain non-callable maturities of the City's general obligation bonds.

No current interest is payable on the Series A Capital Appreciation Bonds, which are stated to mature on October 15 in each of the years 2006 to 2011, inclusive. Interest on the Series A Capital Appreciation Bonds accrues from the date of delivery, is compounded semiannually on each April 15 and October 15 and will be paid at the maturity or redemption date thereon. The accreted amount due at maturity is \$4,348,000 as of June 30, 1997. The Series A Capital Appreciation Bonds are subject to redemption prior to maturity beginning on October 15, 2005, as a whole at any time or in part thereafter on October 15 or April 15.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

- *Federal Economic Development Loan:*

The City has borrowed funds from the Federal Government to provide for various development projects throughout the City. At June 30, 1997, the principal owed to the Federal Government was \$19,903,000 and interest of \$4,459,000 will be due thereon in future years. The loan bears interest at rates ranging from 7.90% to 9.08% and matures serially through 2004.

- *Federal Environmental Protection Loan:*

The United States Environmental Protection Agency (EPA) has granted the City a loan under the Asbestos School Hazard Abatement Act of 1984 to provide for asbestos removal at Walbrook Senior High School. At June 30, 1997, the principal owed to the EPA was \$1,810,000. The principal shall be repaid in annual installments of approximately \$191,000 at zero interest and final payment is due on July 31, 2006.

- *School Construction Loans:*

The City has periodically borrowed funds from the State of Maryland for school construction purposes. These funds are derived from the sale of State of Maryland school construction loan bonds. Since 1970, the City has borrowed from the State a total of \$53,891,000 for such purposes. At June 30, 1997, the principal owed to the State was \$20,000 and interest of \$2,000 will be due thereon in future years.

- *Highway Construction Loans:*

Under an amendment to State law enacted in 1970, the City became eligible to borrow funds from the State of Maryland for highway construction purposes in the same manner that counties are permitted to borrow. Since 1971, the City has borrowed from the State a total of \$254,817,000 for such purposes. At June 30, 1997, the principal owed to the State was \$5,534,000 and interest of \$421,000 will be due in future years through 2006.

- *State Economic Development Loans:*

The City has borrowed funds from the State of Maryland to provide for various economic development projects under the Maryland Industrial Land Act and the Industrial Commercial Redevelopment Act. At June 30, 1997, the principal owed to the State was \$10,915,000 and interest of \$6,810,000 will be due thereon in future years. These loans bear interest at rates ranging from 2.00% to 11.16% and the final payment is due in 2018.

- *Sewer Construction Loans:*

Under the provisions of Chapter 445, laws of Maryland 1968, and Chapter 286, laws of Maryland 1974, loans were made available to counties and municipalities charged with providing sewerage facilities to assist in the construction of such facilities. Since December, 1980, the City has borrowed a total of \$1,184,000 for sewer projects. At June 30, 1997, the principal owed to the State was \$856,000 and interest of \$492,000 will be due thereon in future years.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

The following is a schedule of the principal and interest payments (amounts expressed in thousands) required to service the existing debt of the City until maturity:

Fiscal Year	General Obligation Bonds		Bond Anticipation Notes*		Long-Term Financing with State of Maryland		Long-Term Financing with Federal Government	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1998	\$ 13,115	\$ 23,466	\$ 3,084	\$1,469	\$ 3,295	\$1,005	\$ 3,447	\$1,534
1999	20,795	24,145	3,290	1,207	2,033	862	4,329	1,244
2000	21,355	21,805	3,515	927	1,247	772	4,692	895
2001	22,780	24,946	4,000	610	1,312	698	3,926	550
2002	20,163	18,941	4,115	282	1,380	653	4,265	207
2003	22,366	17,570	3,180	21	750	588	284	19
2004	26,773	15,947			860	544	293	10
2005	28,537	14,093			1,564	446	191	
2006	30,256	14,585			380	363	191	
2007	27,687	15,325			392	333	95	
2008 and thereafter	186,424	77,111			4,112	1,461		
Total	\$420,251	\$267,934	\$21,184	\$4,516	\$17,325	\$7,725	\$21,713	\$4,459

*Bond Anticipation Notes' maturities are reported at stated redemption dates which cannot be accelerated by the holders.

A summary of general obligation bonds and bond anticipation notes outstanding and bonds authorized but unissued (amounts expressed in thousands) at June 30, 1997, is as follows:

Purpose	Due Dates	Outstanding		Authorized But Unissued
		Interest Rates	Amount	
Fire, police and public protection	1998 to 2014	4.75% to 9.0%	\$ 17,169	\$ 2,000
Off-street parking	1998 to 2018	1.5% to 9.0%	34,207	7,100
Parks and recreation	1998 to 2018	2.7% to 9.0%	16,378	4,806
Public buildings and facilities	1998 to 2018	2.7% to 9.5%	28,988	1,778
Schools	1998 to 2018	2.7% to 9.0%	73,867	29,938
Waste water and storm sewer	1998 to 2011	2.5% to 9.0%	19,489	
Urban renewal and development	1998 to 2018	2.7% to 9.5%	221,237	74,230
Water	1998 to 2011	4.0% to 9.0%	3,913	
Highways	1998 to 2016	2.7% to 9.0%	20,913	8,369
Waste disposal	1998 to 2011	4.75% to 9.0%	5,224	
Finance				20,000
Health	1998 to 2018	5.125% to 5.3%	50	8,950
Total			\$441,435	\$157,171

B. CAPITAL LEASE OBLIGATIONS:

The City has entered into various conditional purchase agreements to construct and purchase certain facilities and equipment to be used by municipal agencies. These conditional purchase agreements do not constitute a pledge of the full faith and credit or taxing power of the City and are subject to termination if sufficient funds are not appropriated by the City Council. Since termination of these agreements is not foreseen, the agreements have been capitalized. Further, upon satisfaction of the purchase agreement, title to the facilities and equipment will pass to the City. During fiscal year 1997, the City's capital lease obligation decreased by \$6,077,000 (which includes an increase of \$500,000 of additional leases) over the fiscal year 1996 total of \$126,078,000. This represents a 4.8% decrease from the prior year.

The following is an analysis of the leased property under capital leases by major classes (amounts expressed in thousands) at June 30, 1997:

Classes of Property	
Buildings	\$ 95,938
Equipment	26,798
Total	<u>\$122,736</u>

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

The following is a schedule of the future minimum payments (amounts expressed in thousands) under the conditional purchase agreements:

1998.....	\$ 13,768
1999.....	13,796
2000.....	13,534
2001.....	12,697
2002.....	12,399
2003 and thereafter	<u>138,943</u>
Total	205,137
Less interest	<u>85,135</u>
Present value of conditional purchase agreements	<u>\$120,002</u>

Residual funds available from these conditional purchase agreements in the amount of \$31,874,000, recorded in the Capital Projects Fund, will be used to acquire additional facilities.

C. COMPENSATED ABSENCES:

The City records unpaid leave at year end in the General Long-Term Obligations Account Group. The total unpaid leave accrued at June 30, 1997, was \$104,085,000. This represents an increase of \$6,440,000 over the fiscal year 1996 total of \$97,645,000 or 6.6% and includes an accrual for vested unused sick leave of \$35,126,000. These unpaid amounts will be paid from expendable available resources provided for in the budgets of future years. For proprietary fund types, compensated absences are recorded and expensed when earned.

D. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

State and Federal laws and regulations require that the City of Baltimore place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$7,631,000 as of June 30, 1997, which is based on 37.78% usage (filled) of the landfill. It is estimated that an additional \$12,569,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2017). The estimated total current cost of the landfill closure and postclosure care (\$20,200,000) is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 1997. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

As of June 30, 1997, investments of \$7,798,000 are held by the City to finance closure and postclosure care costs. These investments are presented on the City's balance sheet as "Fund Balances Reserved For Landfill Closure." It is anticipated that future inflation costs will be financed in part from earnings on investments held by the City of Baltimore. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in closure or postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

10. Revenue Bonds:

The City has issued revenue bonds and revenue bond anticipation notes, the proceeds of which were used to provide funds for capital improvements to water and waste water facilities. Assets with a carrying value of \$29,739,000 at June 30, 1997, and certain revenues of the Water and Waste Water Utility Funds are pledged as collateral for the bonds. Bonds outstanding (amounts in columns expressed in thousands) as of June 30, 1997, consist of:

	Water Utility Fund	Waste Water Utility Fund
Serial bonds series 1993-A maturing in annual installments from \$740,000 to \$1,250,000 from July 1, 1997 through July 1, 2008, with interest ranging from 2.7% to 5.5%, payable semiannually		\$ 11,560
Serial bonds series 1993-A maturing in annual installments from \$1,265,000 to \$2,125,000 from July 1, 1997 through July 1, 2008, with interest ranging from 2.7% to 5.5%, payable semiannually	\$ 19,700	
Serial bonds series 1994-A maturing in annual installments from \$350,000 to \$590,000 from July 1, 1997 through July 1, 2009, with interest ranging from 2.5% to 5.0%, payable semiannually		5,920
Serial bonds series 1994-A maturing in annual installments from \$510,000 to \$850,000 from July 1, 1997 through July 1, 2009, with interest ranging from 3.15% to 5.0%, payable semiannually	8,555	
Serial bonds series 1994-B maturing in annual installments from \$266,000 to \$406,000 from February 1, 1997 through February 1, 2015, with interest rate at 2.25%, payable semiannually		6,082
Serial bonds series 1994-C maturing in annual installments from \$245,000 to \$387,000 from February 1, 1997 through February 1, 2015, with interest rate at 2.5%, payable semiannually		5,695
Serial bonds series 1994-D maturing in annual installments from \$168,000 to \$297,000 from February 1, 1997 through February 1, 2015, with interest rate at 3.6%, payable semiannually		4,019
Serial bonds series 1996-A maturing in annual installments from \$415,000 to \$745,000 from July 1, 1997 through July 1, 2009, with interest ranging from 4.5% to 5.55%, payable semiannually		7,275
Serial bonds series 1996-A maturing in annual installments from \$595,000 to \$1,070,000 from July 1, 1997 through July 1, 2009, with interest ranging from 4.5% to 5.55%, payable semiannually	10,480	
Serial bonds series 1996-B maturing in annual installments from \$1,000 to \$210,000 from August 1, 1998 through February 1, 2017, with interest at 3.18%, payable semiannually		3,067
Term bonds series 1990-B with interest at 3.806%, payable semiannually, due February 1, 2012		8,535
Term bonds series 1993-A with interest at 5.6%, payable semiannually, due July 1, 2013	12,200	7,100
Term bonds series 1993-A with interest at 5.65%, payable semiannually, due July 1, 2020	23,900	14,000
Term bonds series 1994-A with interest at 6.0%, payable semiannually, due July 1, 2015	6,250	4,330
Term bonds series 1994-A with interest at 5.0%, payable semiannually, due July 1, 2022		7,115
Term bonds series 1994-A with interest at 5.0%, payable semiannually, due July 1, 2024	30,475	
Term bonds series 1996-A with interest at 5.8%, payable semiannually, due July 1, 2015	7,845	5,445
Term bonds series 1996-A with interest at 5.5%, payable semiannually, due July 1, 2026	23,115	16,040
Bond anticipation notes series 1996-A, water projects, floating interest rate, payable monthly, due July 1, 1998 through July 1, 2016	13,147	
Bond anticipation notes series 1996-A, waste water projects, floating interest rate, payable monthly, due July 1, 1998 through July 1, 2016		15,167
	<u>\$155,667</u>	<u>\$121,350</u>

The term bonds series 1990-B due February 1, 2012, are subject to redemption at par prior to maturity by operation of a mandatory sinking fund in annual principal amounts ranging from \$387,000 to \$730,000. The term bonds series 1993-A due July 1, 2013, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$1,100,000 to \$1,350,000 for the Water Utility Fund and \$650,000 to \$800,000 for the Waste Water Utility Fund. The term bonds series 1993-A due July 1, 2020, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2014, at annual principal amounts ranging from \$1,450,000 to \$2,000,000 for the Water Utility Fund and \$850,000 to \$1,150,000 for the Waste Water Utility Fund.

The serial bonds series 1994-A are subject to redemption prior to maturity beginning on and after July 1, 2004 at redemption prices ranging from 102% to 100% of the principal amount. The term bonds series 1994-A due July 1, 2015, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2010, at annual principal amounts ranging from \$895,000 to \$1,200,000 for the Water Utility Fund and \$620,000 to \$830,000 for the Waste Water Utility Fund. The term bonds series 1994-A due July 1, 2022, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$875,000 to \$1,170,000. The term bonds series 1994-A due July 1, 2024, are subject to mandatory redemption at par

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$1,265,000 to \$6,320,000.

The serial bonds series 1996-A are subject to redemption prior to maturity beginning on and after July 1, 2006 at redemption prices ranging from 101% to 100% of the principal amount. The term bonds series 1996-A due July 1, 2015, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2010, at annual principal amounts ranging from \$1,130,000 to \$1,500,000 for the Water Utility Fund and \$785,000 to \$1,040,000 for the Waste Water Utility Fund. The term bonds series 1996-A due July 1, 2026, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$1,585,000 to \$2,710,000 for the Water Utility Fund and \$1,100,000 to \$1,880,000 for the Waste Water Utility Fund.

The City has issued project and refunding revenue bonds, the proceeds of which were used to refinance all prior existing debt of the Parking Facilities Fund. Assets with a carrying value of \$12,346,000 at June 30, 1997, and certain revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding (amounts expressed in thousands) as of June 30, 1997, consist of:

Series 1992-B serial bonds maturing in annual installments from \$330,000 to \$510,000 from July 1, 1997 through July 1, 2003, with interest ranging from 6.4% to 7.95%, payable semiannually	\$ 2,900
Series 1993 serial bonds maturing in annual installments from \$2,395,000 to \$3,810,000 from July 1, 1997 through July 1, 2008, with interest ranging from 3.15% to 4.75%, payable semiannually	36,300
Series 1992-A term bonds with interest at 6.25%, payable semiannually, due July 1, 2021	7,140
Series 1992-B term bonds with interest at 8.4%, payable semiannually, due July 1, 2011	5,955
Series 1993 term bonds with interest at 5.1%, payable semiannually, due July 1, 2013	3,395
Series 1993 term bonds with interest at 5.0%, payable semiannually, due July 1, 2018	4,330
Series 1997-A term bonds with interest at 5.9%, payable semiannually, due July 1, 2013	21,760
Series 1997-A term bonds with interest at 6.0%, payable semiannually, due July 1, 2018	29,040
	<u>\$110,820</u>

The serial bonds series 1992-B are subject to redemption prior to maturity beginning on and after July 1, 2002, at redemption prices ranging from 102% to 100% of the principal amount. The series 1992-A term bonds due July 1, 2021, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2012, at annual principal amounts ranging from \$535,000 to \$925,000. The series 1992-B term bonds due July 1, 2011, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2004, at annual principal amounts ranging from \$550,000 to \$970,000. The serial bonds series 1993 due July 1, 2004 and July 1, 2005, are subject to redemption prior to maturity beginning on and after July 1, 2003, at redemption prices ranging from 102% to 100% of the principal amount. The series 1993 term bonds due July 1, 2013 and July 1, 2018, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$615,000 to \$960,000. The series 1997-A term bonds due July 1, 2013 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$3,860,000 to \$4,870,000. The series 1997-A term bonds due July 1, 2018 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2014, at annual principal amounts ranging from \$5,160,000 to \$6,505,000.

On June 30, 1997 the City placed \$53,530,500 of the proceeds from the sale of Mayor and City Council Parking Facilities Refunding Revenue Bonds Series 1996A into a separate irrevocable trust for the purpose of generating all future principal and interest requirements of the previously issued debt. The purpose of this transaction was to refund \$50,800,000 Mayor and City Council Parking Facilities Refunding Revenue Bonds Series 1987B. The advanced refunding met the requirements of an in-substance defeasance and liabilities in the amount of \$50,800,000 have been removed from the balance sheet of the Parking Facilities Fund.

As a result of the refunding, the City decreased its total debt service requirements by \$4,187,000. The economic gain resulting from this transaction was \$1,164,000.

The City has issued \$100,000,000 in variable rate demand revenue bonds Series 1986, through the Baltimore Industrial Development Authority of the Mayor and City Council (the "Authority"). The purpose of these bonds is to finance various municipal capital projects. The bonds mature on August 1, 2016, but are subject to optional or mandatory redemptions in whole or part prior to maturity.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis. During fiscal year 1997, the variable interest rate paid by the City on these bonds ranged from a high of 4.8% to a low of 2.7%. It is the objective of the Remarketing Agent to set interest rates high enough to assure that the bonds are readily marketable, yet maintain the lowest possible interest cost for the Authority.

In conjunction with the issuance of the bonds, Dai-Ichi Kangyo Bank, Limited, New York Branch (the Bank) issued an irrevocable letter of credit in the amount of \$102,500,000 in favor of the City and First National Bank of Maryland as trustee and Chemical Bank as fiscal agent for the bondholders. The letter of credit expires June 12, 2000, but can be extended for an additional two years. The existing letter of credit permits the fiscal agent to draw amounts necessary to pay the principal portion and related accrued interest on bonds when tendered for purchase and not remarketed. Pursuant to the letter of credit agreement between the City, the Bank and the fiscal agent, the issuer is required to reimburse the Bank the amount drawn upon remarketing or in a lump sum on June 12, 2000, whichever is earlier. If the takeout agreement were to be exercised because the entire issue of \$100,000,000 of demand bonds was put and not resold, the City would be required to pay approximately \$8,000,000 per year through the expiration of the agreement. The interest rate on draws made from the letter of credit is at the Bank's prime interest rate.

The City is required to pay the Bank a fee throughout the period of effectiveness of the letter of credit equal to 0.11% per annum of the daily average unutilized amount and 0.20% per annum of the daily average utilized amount.

During fiscal year 1997, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 1997.

The Convention Center Revenue Bonds, Series 1994, were issued August 1, 1994 and are special, limited obligations of the City of Baltimore to pay a portion of the costs of the expansion and renovation of the Baltimore Convention Center. The bonds are payable solely from revenues which consist of certain hotel taxes and certain receipts derived from the ownership and operation of the Baltimore Convention Center. These bonds include \$36,840,000 in serial bonds, which are due to mature on September 1 in each of the years 1998 to 2014, inclusive; \$11,035,000 in 6.00% term bonds due to mature on September 1, 2017; and \$8,510,000 in 6.15% term bonds due to mature on September 1, 2019. Interest on the bonds is payable on each March 1 and September 1 in each year. The bonds maturing on or after September 1, 2005 are subject to redemption prior to maturity beginning on September 1, 2004, in whole or in part, at any time, at par plus accrued interest to the date fixed for redemption. These revenue bonds are recorded in the General Long-Term Obligations Account Group.

Principal maturities and interest (amounts expressed in thousands) of revenue bonds and revenue bond anticipation notes are as follows:

	Water Utility		Waste Water Utility		Parking Facilities		Industrial Development Authority		Convention Center	
	Principal	Interest*	Principal	Interest*	Principal	Interest*	Principal	Interest*	Principal	Interest*
1998	\$ 2,370	\$ 7,509	\$ 2,632	\$ 5,010	\$ 2,725	\$ 6,122		\$ 8,000		\$ 3,265
1999	2,762	7,407	3,191	4,938	2,835	6,005		8,000	\$ 1,390	3,231
2000	2,893	7,295	3,334	4,819	2,955	5,877		8,000	1,455	3,163
2001	3,035	7,177	3,472	4,703	3,095	5,739		8,000	1,525	3,090
2002	3,191	7,050	3,635	4,580	3,235	5,591		8,000	1,600	3,010
2003 and thereafter	141,416	98,445	105,086	54,537	95,975	56,851	\$100,000	112,000	50,415	31,833
Subtotal	155,667	134,883	121,350	78,587	110,820	86,185	100,000	152,000	56,385	47,592
Less: Debt Owed to IDA	13,147	1,052	15,167	1,213						
Total	\$142,520	\$133,831	\$106,183	\$77,374	\$110,820	\$86,185	\$100,000	\$152,000	\$56,385	\$47,592

*Variable rate bonds' interest estimated at 8%.

Revenue bonds payable are presented on the combined balance sheet net of unamortized charges in the amount of \$8,454,000.

At June 30, 1997, revenue bonds payable for the Industrial Development Authority (IDA) are shown net of \$86,422,000 of notes and obligations purchased from the City by the IDA. These obligations have been included in the Water Utility

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Fund, Waste Water Utility Fund and the General Long-Term Obligations Account Group in the amount of \$13,147,000, \$15,167,000 and \$58,108,000, respectively.

The Community Development Finance Corporation has bonds payable at June 30, 1997 in the amount of \$16,825,000. The bonds are subject to redemption prior to maturity if the proceeds are not used for the purposes intended. The bonds are payable solely from the revenues and receipts of loans that have been assigned to the bank. The bonds bear interest at rates ranging from 7.35% to 8.80% and maturing serially from August 1997 through August 2012.

11. Prior-Year Defeasance of Debt:

In prior years, the City defeased certain revenue bonds and other obligations by placing the proceeds of new debt issues in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 1997, \$317,275,000 of debt outstanding is considered defeased.

12. Operating Leases:

The City has entered into a number of operating leases for rental of office facilities and equipment, some of which provide for increased rentals based upon increases in real estate taxes and common area maintenance fees. As of July 1, 1997, future minimum lease payments (amounts expressed in thousands) are as follows:

1998	\$ 4,964
1999	4,273
2000	3,820
2001	3,383
2002	3,262
2003 and thereafter	27,990
Total	<u>\$47,692</u>

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 1997, rent expenditures approximated \$10,727,000 for all types of leases. These expenditures were made primarily from the General Fund.

13. Retirement Systems:

City employees, other than the professional employees of the Enoch Pratt Free Library and the Department of Education, who are members of the Maryland State Retirement System to which the City makes no contributions, are covered under one of the following Public Employees Retirement Systems (PERS).

Plan Descriptions:

The City of Baltimore contributes to three single employer defined benefit pension plans: Fire and Police Employees' Retirement System, Employees' Retirement System and Elected Officials' Retirement System. Each plan provides retirement benefits as well as disability benefits to plan members and their beneficiaries. The plans are each managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. Plan benefits provision may be amended only by the City Council. Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing the plan at the following address:

Baltimore City Retirement Systems
Room 640, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Funding Policy and Annual Pension Cost

Baltimore City Code establishes the contribution requirements for plan members and the City for each of the 3 plans. The City's annual pension cost for the current year and related information for each plan is as follows:

(Dollars Expressed in Thousands)			
	Fire and Police Employees' Retirement System	Employees' Retirement System	Elected Officials' Retirement System
Contribution rates:			
Employer	5.3%	7.1%	26.5%
Employee	6%	4%	5%
Annual pension cost	\$9,350	\$19,680	\$237
Contribution made	\$9,350	\$19,680	\$237
Basis of Accounting	Accrual	Accrual	Accrual
Actuarial valuation date	June 30, 1997	June 30, 1997	June 30, 1997
Actuarial cost method	Projected Unit Credit Cost	Projected Unit Credit Cost	Projected Unit Credit Cost
Amortization method	Level Dollar Open	Level Dollar Open	Level Dollar Open
Remaining amortization period	20 years	20 years	10 years
Assets valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumption:			
Investment rate of return:*			
Pre-retirement*	8.25%	8.25%	7.5%
Post-retirement	6.8%	6.8%	6.0%
Projected salary increases*	4.6%–11.6%	5.0%–8.1%	6.0%
*Includes inflation at	3.75%	3.75%	3.75%

Three-Year Trend Information
(Dollars Expressed in Thousands)

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Fire and Police Employees' Retirement System:			
June 30, 1997	\$ 9,305*	100%	\$0
June 30, 1996	19,010	100	0
June 30, 1995	18,942	100	0
Employees' Retirement System:			
June 30, 1997	19,680	100	0
June 30, 1996	22,119	100	0
June 30, 1995	22,665	100	0
Elected Officials' Retirement System:			
June 30, 1997	237	100	0
June 30, 1996	392	100	0
June 30, 1995	394	100	0

* Fiscal year 1997 was reduced by \$14 million of interest surplus as provided by law.

Required Supplementary Information
Schedule of Funding Progress
(Dollars Expressed in Thousands)
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
Fire and Police Employees' Retirement System:						
June 30, 1997	\$1,723,838	\$1,719,217	\$ (4,621)	100.3%	\$176,873	(2.6)%
June 30, 1996	1,546,336	1,547,352	1,016	99.9	173,826	0.6
June 30, 1995	1,411,682	1,451,959	40,277	97.2	168,053	24.0
Employees' Retirement System:						
June 30, 1997	1,055,278	1,077,066	21,788	98.0	276,069	7.9
June 30, 1996	975,925	990,970	15,045	98.5	300,219	5.0
June 30, 1995	852,017	844,447	(7,570)	100.9	290,126	(2.6)
Elected Officials' Retirement System:						
June 30, 1997	8,910	7,844	(1,066)	113.6	89.3	(119.4)
June 30, 1996	6,906	6,932	26	99.6	893	2.9
June 30, 1995	6,086	6,003	(83)	101.4	637	(13.0)

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

The Unfunded Fire and Police Pension Plan

The City's Fire and Police Departments are the administrator of the City's unfunded single employer defined benefit local retirement plan. The plan is managed by the City's Fire and Police Departments under the Code of Local Laws of Baltimore. All employees eligible for this plan were hired prior to January 1, 1947. All members of this plan are currently retired and the City plans to pay benefits on a pay-as-you-go basis until all obligations have been fulfilled. Post retirement benefit increase are estimated at 4.5%. There is no covered payroll for the plan. The City's annual required contributions equals the employers contributions made to the plan. The City's employer contributions and unfunded accrued liability for the last three years are as follows:

Three Year Trend Information
(Dollars Expressed in Thousands)

	Employer Contributions	Unfunded Accrued Liability
June 30, 1997	\$7,140	\$40,213
June 30, 1996	8,002	48,466
June 30, 1995	8,339	55,167

Fringe Benefits Paid by the State of Maryland

Members of the Maryland State Teachers Retirement System are required to contribute a fixed percentage of earnable compensation. Members of the Maryland State Teachers Pension System are required to contribute 5% of earnable compensation in excess of the Social Security wage base. Employer contribution rates are determined actuarially. The current rate is 16.22% of covered payroll. The State makes contributions on behalf of City employees who are members of either the Teachers Retirement or Teachers Pension System. The State's contributions on behalf of the City for the year ended June 30, 1997 was \$55,635,000. Such cost applicable to fiscal year 1997 has been recognized as both a revenue and an expenditure in the General Fund in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balance, but have not been recorded on a budgetary basis.

14. Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1987, the City established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks. The City's risk financing techniques include a combination of risk retention through self-insurance and risk transfer through the purchase of commercial insurance. The Risk Management Fund services all claims for risk of loss, including general liability, property and casualty, workers' compensation, unemployment compensation, automobile physical damage and bodily injury, and sundry other risks. Commercial insurance coverage is provided for each property damage claim in excess of \$750,000 with a cap of \$200,000,000. Settled claims have not exceeded this commercial coverage in any of the past five years. The City also provides medical insurance coverage for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service fund.

CITY OF BALTIMORE

Notes to General Purpose Financial Statements

(Continued)

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. As of June 30, 1997, the claims liability of \$104,056,000 reported in the Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. This liability does not include the effects of inflation, incremental or other allocated or unallocated claim adjustment expenses, salvage, or subrogation, as such factors are not considered material. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made. Changes in the Risk Management Fund's claims liability (amounts expressed in thousands) in fiscal year 1996 and 1997 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
1996	\$80,182	\$197,490	\$(190,891)	\$ 86,781
1997	86,781	201,375	(184,100)	104,056

15. Postemployment Benefits:

City administrative policy provides that certain postemployment benefits, other than pension benefits, be provided to all its employees. These benefits include certain health care and life insurance benefits. All employees who retire are eligible to receive these benefits. At June 30, 1997, there were 18,835 retirees eligible for these benefits. The City reimburses approximately 63% of the premium cost incurred by pre-Medicare retirees and their dependents. The City also reimburses approximately 84% of the cost for Medicare supplement for each retiree or dependent eligible for Medicare. Such benefits are accounted for on a cash basis so that payments during the current year represent benefit coverage for currently retired employees or their beneficiaries. During fiscal year 1997, these postemployment benefits amounted to \$46,144,000.

16. Deferred Compensation Plan:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees except employees of the Department of Education, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employees or other beneficiary) solely the property and rights of the City (without being restricted to the provision of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in the amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Investments are managed by the plan's administrator under one of five investment options, or combination thereof. The choice of the investment option(s) is made by the participants.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

17. Individual Fund Disclosures:

Interfund receivables and payables (amounts expressed in thousands) at June 30, 1997, are as follows:

	Interfund Receivables	Interfund Payables
General	\$ 62,762	\$ 1,295
Special Revenue:		
Grants Revenue		50,341
Motor Vehicle		10,262
Community Development Block Grants		714
		<u>61,317</u>
Internal Service:		
Reproduction and Printing		395
Construction Management and Inspection		911
		<u>1,306</u>
Capital Projects	23,834	138
Enterprise:		
Water Utility	12,408	948
Waste Water Utility	15,257	16,734
Parking Facilities		4,297
Industrial Development Authority		29,521
	<u>27,665</u>	<u>51,500</u>
Trust and Agency:		
Pension Trust Funds	11,340	11,340
Debt Service	1,295	
Totals	<u>\$126,896</u>	<u>\$126,896</u>

The following funds had a deficit (amounts expressed in thousands) in retained earnings at June 30, 1997:

Internal Service Funds:	
Construction Management and Inspection	\$ 2,332
Reproduction and Printing	410
Risk Management	44,716
Enterprise Funds:	
Loan and Guarantee Program	30,191

The Risk Management Fund is comprised of two principal components; one is related to health coverage and the second provides for other insurable risks such as workers' compensation. Favorable claims experience resulted in the accumulation of a substantial balance in the health insurance account. This balance has now been reduced to a more reasonable level and totaled \$12.0 million at June 30, 1997. This reduction, together with existence of a long-standing liability in the other insurance component, resulted in a \$44.7 million net deficit in the Fund as a whole. The deficit of \$56.7 million in the other risks segment of the Fund has remained relatively stable over the past several years as the City has funded this account on a cash flow basis. At June 30, 1997, this component had \$25.9 million in cash and investments available for claims payment. While the deficit of \$56.7 million in the other risks segment of the Fund has increased by \$20.1 million this fiscal year, the assets available for claims payment declined by less than \$4 million. The City continues to fund this account on a cash flow basis and will make the appropriation adjustments necessary to maintain \$25 million to \$30 million in assets available to pay claims. The City will endeavor to eliminate the deficit beginning in fiscal year 1999 using one-time funding sources. The City has existing authority to borrow up to \$20 million should more cash be needed for any extraordinary change in the pace of claims settlement. The deficits in the other Internal Service Funds will be eliminated by reduced salary expenses and increases in user fees.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

At the completion of the Loan and Guarantee Program, the City plans to eliminate its deficit by offsetting it against contributed capital.

18. Segment Information — Enterprise Funds:

Selected financial information (amounts expressed in thousands) with respect to business segments of Enterprise Funds as of June 30, 1997, and the year then ended is as follows:

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
Operating revenues	\$ 69,640	\$100,405	\$ 37,382	\$ 2,214	\$ 4,207	\$ 213,848
Depreciation and amortization expense	7,452	11,708	1,264		35	20,459
Operating income (loss)	7,734	1,072	32,403	(1,799)	137	39,547
Operating transfers in				2,393		2,393
Operating transfers out			26,091			26,091
Net income	4,685	901	2,602	594	137	8,919
Net working capital	29,577	32,040	53,854	40,636	52,225	208,332
Changes in contributed capital, net	2,837	22,362	15	(6,655)		18,559
Changes in property, plant and equipment, net	14,031	28,260	(3,628)			38,663
Total assets	406,165	830,659	125,837	41,174	53,197	1,457,032
General long-term debt payable	3,913	4,100				8,013
Notes payable				353		353
Revenue bonds payable, net	154,277	120,067	105,039		13,578	392,961
Total equity	234,424	668,553	13,350	28,531	9,781	954,639

19. Commitments and Contingencies:

The City is party to legal proceedings which normally occur in governmental operations. The City provides for the estimated losses on certain outstanding claims as discussed in Note 14. The City has determined in consultation with outside counsel that the current status of certain claims are at too early of a stage to make a reasonable assessment of the City's liability at this time. The aggregate value of the amounts sought by these claimants totals approximately \$69 million at June 30, 1997. The City vigorously contests such claims as a matter of policy and will fully assert all available remedies including the \$200,000 ceiling per individual claim on local government liability.

As of June 30, 1997, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately \$9,221,000.

The City receives significant financial assistance from the U.S. Government and the State of Maryland in the form of grants. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State regulations, including the expenditure of the resources for eligible purposes. Substantially, all grants are subject to financial and compliance audits in accordance with grantors' requirements. Any disallowances as a result of these audits become a liability of the City. As of June 30, 1997, the City estimates that no material liabilities will result from such audits.

Under the terms of a Waste Disposal Agreement, the City has committed to deliver 900 tons of solid waste per day through May, 2005 to the Northeast Maryland Waste Disposal Authority. The City's current tipping fee expense for delivering the solid waste is \$40.97 per ton. Such tipping fee is subject to adjustment for inflation and certain other factors as provided in the Waste Disposal Agreement.

The City has entered into a 20-year Sewerage Sludge Disposal Agreement with the Northeast Maryland Waste Disposal Authority in connection with the financing of a sludge composting facility in Baltimore City. The agreement obligates the City to deliver approximately 55,000 tons of sewerage sludge per year and to pay a tipping fee comparable to alternative methods currently being used by the City. The debt service on variable rate bonds is a component of the tipping fee.

The City has also entered into 20-year Service Agreements with Wheelabrator Water Technologies Baltimore L.L.C. in connection with the financing of heat drying facilities for processing biosolids at the City's Back River and Patapsco

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Wastewater Treatment Plants. The agreements obligate the City to deliver approximately 20,000 dry tons of biosolids per year at each facility and to pay a tipping fee. The debt service on the bonds is a component of the tipping fee.

20. Subsequent Events:

Issuance of Revenue Parking Bonds

On December 4, 1997, the City issued \$20,075,000 in Taxable Mayor and City Council Project Revenue Bonds (Baltimore City Parking System Facilities) Series 1997B. \$4,305,000 in Serial Bonds bear variable interest rates and are due serially on July 1 each year through the year 2010. \$4,510,000, 6.75% Term Bonds are due July 1, 2017, \$4,735,000, 6.625% Term Bonds are due July 1, 2022 and \$6,525,000, 6.625%, Term Bonds are due July 1, 2027.

State Legislation Concerning the Baltimore City Department of Education

Legislation enacted by the 1997 Maryland General Assembly established a new partnership between the City and State to improve the quality of public education through increased funding. This bill called for the creation of a new, nine member Baltimore City Board of School Commissioners which is appointed jointly by the Mayor and the Governor from a list of qualified individuals submitted to them by the State Board of Education. The Board has the authority and responsibility for all school system functions including the adoption of rules and regulations and prescribing policies and procedures for the management, maintenance, operation and control of the school system.

The legislation provides for an increase of \$230 million in State aid to City schools. The increased operating aid payments commence with a \$30 million payment in fiscal year 1998 and \$50 million in payments over the four succeeding fiscal years. This legislation and subsequent funding by the State implements provisions of the November 16, 1996 Consent Decree ordered by United States District Court Judge Marvin J. Garbis to settle education funding lawsuits that involved the City, the State Board of Education, the American Civil Liberties Union and the Maryland Disabilities Law Center.

For accounting purposes, effective July 1, 1997, the New Baltimore City Board of School Commissioners will be accounted for as a separate legal entity and will be reported as a discretely presented component unit. Final transfer amounts have not yet been determined.

Claim against the City

In October 1997, a wrongful death claim was made against the City in the amount of \$225 million. Although no determination of the outcome of this case can be made at this time, the City vigorously contests such claims as a matter of policy and will fully assert all available remedies including the \$200,000 ceiling per individual claim on local government liability.

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FINANCIAL STATEMENTS

Combining and Individual Fund

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances
and Changes in Fund Balance — Budget and Actual (Budgetary Basis)
General Fund
for the year ended June 30, 1997
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes — local:			
Real property	\$ 388,741	\$ 388,200	\$ (541)
Personal property	77,388	80,248	2,860
Sales and services	66,996	69,987	2,991
Payments in lieu of taxes	4,917	5,283	366
Income	123,490	126,475	2,985
Other	1,980	4,341	2,361
Total taxes — local	663,512	674,534	11,022
Licenses and permits:			
General government	3,418	3,551	133
Public safety and regulation	10,134	10,681	547
Conservation of health	1,538	1,469	(69)
Highways	1,826	1,776	(50)
Total licenses and permits	16,916	17,477	561
Fines and forfeitures:			
General government	2,192	2,110	(82)
Library	182	177	(5)
Total fines and forfeitures	2,374	2,287	(87)
Interest, rentals and other investment income	34,149	34,068	(81)
Federal grants:			
Public safety and regulation	80	75	(5)
State grants:			
General government	37,608	37,608	
Public safety and regulation		261	261
Health	9,016	9,003	(13)
Education	339,061	334,893	(4,168)
Library	4,052	4,052	
Recreation and culture	130	110	(20)
Total State grants	389,867	385,927	(3,940)
Other grants:			
Library	177	177	
Charges for current services:			
General government	9,058	8,865	(193)
Public safety and regulation	2,600	2,949	349
Conservation of health	32	11	(21)
Social services	159	122	(37)
Fire	950	378	(572)
Library	1,691	1,918	227
Education	78	61	(17)
Recreation and culture	1,077	646	(431)
Highways, sanitation and waste removal	15,244	15,806	562
Total charges for current services	30,889	30,756	(133)
Miscellaneous	6,167	4,436	(1,731)
Total revenues	\$1,144,131	\$1,149,737	\$ 5,606

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances
and Changes in Fund Balance — Budget and Actual (Budgetary Basis), Continued
General Fund
for the year ended June 30, 1997
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Expenditures and encumbrances by agency:			
Community Relations Commission	\$ 767	\$ 655	\$ 112
Department of Comptroller	2,569	2,569	
City Council	3,401	3,180	221
Office of Financial Review	439	439	
Courts	7,217	7,089	128
Department of Education	541,530	542,073	(543)
Supervisors of Elections	2,362	2,362	
Department of Finance	12,446	11,979	467
Department of Fire	89,458	89,446	12
Department of Health	16,917	16,736	181
Department of Housing and Community Development	13,341	13,331	10
Department of Law	4,203	3,876	327
Department of Legislative Reference	674	674	
Enoch Pratt Free Library	16,906	16,326	580
Board of Liquor License Commissioners	1,135	1,135	
Mayoralty and Related Functions	111,172	107,744	3,428
Office of Occupational Medicine and Safety	657	657	
Department of Personnel	2,359	2,359	
Department of Planning	1,348	1,273	75
Department of Police	181,094	181,045	49
Department of Public Works	56,967	54,785	2,182
Department of Recreation and Parks	30,965	30,787	178
Office of Sheriff	4,841	4,833	8
Office of State's Attorney	13,055	12,815	240
Wage Commission	309	304	5
Department of Municipal and Zoning Appeals	363	334	29
Total expenditures and encumbrances	1,116,495	1,108,806	7,689
Excess of revenues over expenditures and encumbrances	27,636	40,931	13,295
Other financing sources (uses):			
Transfers from other funds	22,895	26,091	3,196
Transfers to other funds	(55,767)	(55,767)	
Net other financing uses	(32,872)	(29,676)	3,196
Excess (deficiency) of revenues over expenditures and encumbrances and net other financing uses	(5,236)	11,255	16,491
Fund balance, July 1, 1996 (budgetary basis)	35,428	35,428	
Fund balance, June 30, 1997 (budgetary basis)	\$ 30,192	\$ 46,683	\$16,491

This schedule does not include a non-budgetary expense item in the amount of \$55,635,000, which was paid by the State of Maryland to the Maryland State Retirement System on behalf of the City of Baltimore.

CITY OF BALTIMORE
Combining Balance Sheet
Special Revenue Funds
June 30, 1997
(Expressed in Thousands)

	Grants Revenue	Motor Vehicle	Community Development Block Grants	Special Racetrack	Total
ASSETS					
Cash and cash equivalents	\$ 75			\$159	\$ 234
Other accounts receivable, net	277	\$ 344			621
Due from Federal government	80,005		\$4,578		84,583
Due from State of Maryland	28,341	34,811		334	63,486
Due from other grantors	11,695				11,695
Inventories of supplies and materials		1,330			1,330
Notes and mortgages receivable, net			4,467		4,467
Other assets		122			122
Total assets	\$120,393	\$36,607	\$9,045	\$493	\$166,538
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable and accrued liabilities	\$ 23,530	\$ 4,157	\$ 804	\$ 7	\$ 28,498
Due to other funds	50,341	10,262	714		61,317
Deferred revenue	46,522	2,852	7,527		56,901
Total liabilities	120,393	17,271	9,045	7	146,716
Fund balance:					
Reserved for:					
Encumbrances		1,415		2	1,417
Inventories		1,330			1,330
Other assets		122			122
Unreserved:					
Designated for subsequent year's expenditures		8,812		419	9,231
Undesignated		7,657		65	7,722
Total fund balance		19,336		486	19,822
Total liabilities and fund balance	\$120,393	\$36,607	\$9,045	\$493	\$166,538

CITY OF BALTIMORE
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance (GAAP Basis)
Special Revenue Funds
for the year ended June 30, 1997
(Expressed in Thousands)

	Grants Revenue	Motor Vehicle	Community Development Block Grants	Special Racetrack	Total
Revenues:					
State shared revenue		\$179,988		\$ 581	\$180,569
Licenses and permits		267			267
Interest and other investment income		839			839
Federal grants	\$241,355		\$ 33,592		274,947
State grants	110,068				110,068
Other grants	41,057				41,057
Charges for current services		2,159			2,159
Miscellaneous		6			6
Total revenues	392,480	183,259	33,592	581	609,912
Expenditures:					
General government	26,912	13,873	3,087	19	43,891
Public safety and regulation	18,029	28,729	535	60	47,353
Conservation of health	156,294				156,294
Social services	18,344				18,344
Education	144,805				144,805
Public library	3,965				3,965
Recreation and cultural	2,504		126	9	2,639
Highways and streets		78,035			78,035
Economic development	21,627		14,044	68	35,739
Total expenditures	392,480	120,637	17,792	156	531,065
Excess of revenues over expenditures		62,622	15,800	425	78,847
Other financing uses:					
Operating transfers out		(52,345)	(15,800)	(361)	(68,506)
Excess of revenues over expenditures and other financing uses		10,277		64	10,341
Fund balance, July 1, 1996		9,059		422	9,481
Fund balance, June 30, 1997		\$ 19,336		\$ 486	\$ 19,822

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances and Changes in
Fund Balance — Budget and Actual (Budgetary Basis)
Motor Vehicle Fund
for the year ended June 30, 1997
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State shared:			
Registration fees	\$ 20,750	\$ 22,302	\$ 1,552
Motor fuel	88,500	89,409	909
Overhead reimbursement	(1,150)	(1,544)	(394)
Titling tax	49,150	57,511	8,361
Corporation income tax	10,100	12,310	2,210
Total State shared revenues	167,350	179,988	12,638
Licenses and permits	274	267	(7)
Interest and other investment income	3,976	839	(3,137)
Charges for current services:			
Department of Public Works:			
Impounding cars	1,825	1,647	(178)
Highways	428	512	84
Total charges for current services	2,253	2,159	(94)
Miscellaneous	1	6	5
Total revenues	173,854	183,259	9,405
Expenditures and encumbrances:			
Department of Recreation and Parks	2,467	2,317	150
Department of Education — pupil transportation	3,654	3,654	
Department of Planning	956	884	72
Department of Police	9,239	8,981	258
Department of Public Works	98,309	98,319	(10)
Mayoralty	7,216	7,216	
Total expenditures and encumbrances	121,841	121,371	470
Excess of revenues over expenditures and encumbrances	52,013	61,888	9,875
Other financing uses:			
Transfers to other funds	(54,378)	(52,345)	2,033
Excess (deficiency) of revenues over expenditures and encumbrances and other financing uses	(2,365)	9,543	11,908
Fund balance, July 1, 1996 (budgetary basis)	8,678	8,678	
Fund balance, June 30, 1997 (budgetary basis)	\$ 6,313	\$ 18,221	\$11,908

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances and Changes in
Fund Balance — Budget and Actual (Budgetary Basis)
Special Racetrack Fund
for the year ended June 30, 1997
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State-shared:			
Racetrack fees	\$ 392	\$ 581	\$189
Total revenues	392	581	189
Expenditures and encumbrances:			
Department of Public Works	19	19	
Department of Recreation and Parks	12	10	2
Department of Housing and Community Development	68	68	
Department of Police	50	47	3
Department of Transportation	13	13	
Total expenditures and encumbrances	162	157	5
Excess of revenues over expenditures and encumbrances	230	424	194
Other financing uses:			
Transfers to other funds	(361)	(361)	
Excess (deficiency) of revenues over expenditures and encumbrances and other financing uses	(131)	63	194
Fund balance, July 1, 1996 (budgetary basis)	418	418	
Fund balance, June 30, 1997 (budgetary basis)	\$ 287	\$ 481	\$194

CITY OF BALTIMORE
Combining Balance Sheet
Enterprise Funds
June 30, 1997

(Expressed in Thousands)

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
ASSETS						
Cash and cash equivalents	\$ 11,404	\$ 19,034	\$ 6,228	\$ 20,831	\$52,015	\$ 109,512
Investments				1,327		1,327
Accounts receivable, net						
Utility services	10,103	11,864				21,967
Other			130	1,348	527	2,005
Unbilled accounts receivable	10,555	9,360				19,915
Inventories	2,812	171				2,983
Notes and mortgages receivable, net			49,759	17,211		66,970
Restricted assets: cash, investments, loans and accounts receivable:						
Future capital expenditures	32,576	33,804	120			66,500
Revenue bond and note debt service account	16,350	8,767	10,620			35,737
Revenue bond and note contingency account	1,961	2,661	1,726			6,348
Due from other governments	1,710					1,710
Property, plant and equipment, net	314,468	742,784	55,437			1,112,689
Issuance costs	4,226	2,214	1,817		655	8,912
Other assets				457		457
Total assets	\$406,165	\$830,659	\$125,837	\$ 41,174	\$53,197	\$1,457,032
LIABILITIES AND EQUITY						
Liabilities:						
Accounts payable and accrued liabilities	\$ 2,112	\$ 5,274	\$ 183			\$ 7,569
Accrued interest payable	4,048	2,681	2,080	\$ 81	\$ 317	9,207
Deposits subject to refund	9					9
Due to other funds	948	16,734	4,297		29,521	51,500
Accounts payable from restricted assets	3,851	10,065	888			14,804
Notes payable				353		353
Revenue bonds payable, net	154,277	120,067	105,039		13,578	392,961
Deferred revenue				855		855
Other liabilities	2,583	3,185		11,354		17,122
General long-term debt payable	3,913	4,100				8,013
Total liabilities	171,741	162,106	112,487	12,643	43,416	502,393
Equity:						
Contributed capital	160,500	630,451	705	58,722		850,378
Retained earnings:						
Reserved for:						
Revenue bond retirements	18,311	11,428	12,346			42,085
Unreserved (deficit)	55,613	26,674	299	(30,191)	9,781	62,176
Total equity	234,424	668,553	13,350	28,531	9,781	954,639
Total liabilities and equity	\$406,165	\$830,659	\$125,837	\$ 41,174	\$53,197	\$1,457,032

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses and Changes in Equity
Enterprise Funds
for the year ended June 30, 1997

(Expressed in Thousands)

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
Operating revenues:						
Water and sewer service	\$ 69,640	\$100,405				\$170,045
Rents, fees and other income			\$ 37,382	\$ 1,048	\$1,909	40,339
Interest and investment income				1,166	2,298	3,464
Total operating revenues	69,640	100,405	37,382	2,214	4,207	213,848
Operating expenses:						
Salaries and wages	23,140	28,248		95		51,483
Other personnel costs	6,023	7,990		23		14,036
Contractual services	15,553	38,779	3,703			58,035
Materials and supplies	5,153	6,408	12			11,573
Minor equipment	437	773				1,210
General government overhead	3,200	4,873				8,073
Bad debts	948	554		517		2,019
Depreciation	7,309	11,648	1,149			20,106
Program expenses				3,378	312	3,690
Amortization of bond issuance costs	143	60	115		35	353
Interest					3,723	3,723
Total operating expenses	61,906	99,333	4,979	4,013	4,070	174,301
Operating income (loss)	7,734	1,072	32,403	(1,799)	137	39,547
Non-operating revenues (expenses):						
Gain on sale of property			3,508			3,508
Gain (loss) on sale of investments	(25)	(14)	23			(16)
Interest expense	(3,024)	(157)	(7,241)			(10,422)
Net non-operating expenses	(3,049)	(171)	(3,710)			(6,930)
Income (loss) before operating transfers	4,685	901	28,693	(1,799)	137	32,617
Operating transfers in				2,393		2,393
Operating transfers out			(26,091)			(26,091)
Net income	4,685	901	2,602	594	137	8,919
Add depreciation on fixed assets acquired by contributed capital	1,171	6,437				7,608
Increase in retained earnings	5,856	7,338	2,602	594	137	16,527
Retained earnings (deficit) — July 1, 1996	68,068	30,764	10,043	(30,785)	9,644	87,734
Retained earnings (deficit) — June 30, 1997	73,924	38,102	12,645	(30,191)	9,781	104,261
Contributed capital — July 1, 1996	157,663	618,089	690	65,376		841,818
Additions (decrease), net	4,008	18,799	15	(6,654)		16,168
Less depreciation on fixed assets acquired by contributed capital	(1,171)	(6,437)				(7,608)
Contributed capital — June 30, 1997	160,500	630,451	705	58,722		850,378
Total equity — June 30, 1997	\$234,424	\$668,553	\$ 13,350	\$ 28,531	\$9,781	\$954,639

CITY OF BALTIMORE
Combining Statement of Cash Flows
Enterprise Funds
for the year ended June 30, 1997

(Expressed in Thousands)

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
Cash flows from operating activities:						
Net operating income (loss)	\$ 7,734	\$ 1,072	\$ 32,403	\$ (1,799)	\$ 137	\$ 39,547
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:						
Depreciation	7,309	11,648	1,149			20,106
Amortization of bond issuance cost	143	60	115		35	353
Mortgage receivable principal repayments			902			902
(Increase) decrease in notes receivable			(9,551)	6,028		(3,523)
(Increase) decrease in accounts receivable	(221)	30	1,068	343	(133)	1,087
(Increase) decrease in inventories	5	(71)				(66)
(Increase) decrease in issuance costs	(2,107)	(1,462)	590			(2,979)
Decrease in due from other funds		10				10
(Increase) in due from other governments	(1,710)					(1,710)
Decrease in other assets				198		198
Increase (decrease) in accounts payable and accrued liabilities	302	1,430	56	(8)		1,780
(Decrease) in other liabilities	(616)	(400)		(1,527)		(2,543)
(Decrease) in deferred revenue				(162)		(162)
Increase (decrease) in accrued interest payable	1,259	941	(1,261)		47	986
(Decrease) in notes payable				(35)		(35)
(Decrease) in due to other governments	(544)					(544)
Increase in due to other funds	948	10,539	2,347		12,931	26,765
Increase in deposits subject to refund	3					3
Net cash provided by operating activities	12,505	23,797	27,818	3,038	13,017	80,175
Cash flows from non-capital financing activities:						
Operating transfers in from other funds				2,393		2,393
Operating transfers out to other funds			(26,091)			(26,091)
Net cash provided (used) by non-capital financing activities			(26,091)	2,393		(23,698)
Cash flows from capital and related financing activities:						
Proceeds from sale of bonds, net	54,630	47,075				101,705
Acquisition and construction of capital assets	(21,340)	(39,908)	2,479			(58,769)
Restricted assets	(9,770)	(19,060)	51,691			22,861
Restricted accounts payable	657	2,066	880			3,603
Principal paid on revenue bonds	(17,782)	(19,442)	(55,026)		(10,817)	(103,067)
Principal paid on bonds	(2,040)	(35)				(2,075)
Interest paid	(5,289)	(1,238)	(10,475)			(17,002)
Proceeds from sale of property			3,508			3,508
Capital contributions	4,008	18,799	15	(6,654)		16,168
Net cash provided (used) by capital and related financing activities	3,074	(11,743)	(6,928)	(6,654)	(10,817)	(33,068)
Cash flows from investing activities:						
Proceeds (loss) from sale and maturities of mortgages and investment securities	(25)	(14)	23			(16)
Purchase of investments				(27)		(27)
Interest on investments	2,548	1,098	3,930			7,576
Net cash provided (used) by investing activities	2,523	1,084	3,953	(27)		7,533
Net increase (decrease) in cash and cash equivalents	18,102	13,138	(1,248)	(1,250)	2,200	30,942
Cash and cash equivalents, July 1, 1996	19,400	19,184	15,560	22,081	49,815	126,040
Cash and cash equivalents, June 30, 1997	\$ 37,502	\$ 32,322	\$ 14,312	\$20,831	\$ 52,015	\$156,982

CITY OF BALTIMORE
Combining Balance Sheet
Internal Service Funds
June 30, 1997

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Electronic Equipment Maintenance	Construction Management and Inspection	Risk Management	Total
ASSETS								
Cash and cash equivalents	\$12,312		\$ 33	\$4,762	\$1,167		\$ 33,230	\$ 51,504
Investments							20,595	20,595
Accounts receivable, net:								
Other	214	\$ 196			23		5,810	6,243
Inventories	113	53	26		96			288
Restricted cash:								
Future capital expenditures	47							47
Property, plant and equipment, net	44,277	70	44	5	1	\$ 107	479	44,983
Other							326	326
Total assets	\$56,963	\$ 319	\$103	\$4,767	\$1,287	\$ 107	\$ 60,440	\$123,986
LIABILITIES AND EQUITY								
Liabilities:								
Accounts payable and accrued								
liabilities	\$ 1,260	\$ 86	\$ 13	\$2,516	\$ 6	\$ 303	\$ 762	\$ 4,946
Due to other funds		395				911		1,306
Estimated liability for claims in								
progress							104,056	104,056
Other liabilities	1,391	101	38	39	6	1,225	338	3,138
Total liabilities	2,651	582	51	2,555	12	2,439	105,156	113,446
Equity:								
Contributed capital	51,554	147	37	32				51,770
Retained earnings:								
Unreserved (deficit)	2,758	(410)	15	2,180	1,275	(2,332)	(44,716)	(41,230)
Total equity (deficit)	54,312	(263)	52	2,212	1,275	(2,332)	(44,716)	10,540
Total liabilities and equity	\$56,963	\$ 319	\$103	\$4,767	\$1,287	\$ 107	\$ 60,440	\$123,986

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses and Changes in Equity
Internal Service Funds
for the year ended June 30, 1997

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Electronic Equipment Maintenance	Construction Management and Inspection	Risk Management	Total
Operating revenues:								
Charges for services	\$39,125	\$2,513	\$1,165	\$ 9,376	\$ 524	\$ 7,412	\$181,322	\$241,437
Total operating revenues	39,125	2,513	1,165	9,376	524	7,412	181,322	241,437
Operating expenses:								
Salaries and wages	9,839	860	225	473	132	6,457	2,546	20,532
Other personnel costs	2,882	289	89	149	43	1,787	611	5,850
Contractual services	6,170	564	68	10,040	156	424	4,269	21,691
Materials and supplies	11,631	720	2	3	41	63	29	12,489
Minor equipment	58	7				21	2	88
Claims paid and incurred:								
General liability							6,271	6,271
Property and casualty							494	494
Workers' compensation							35,989	35,989
Unemployment							2,013	2,013
Automobile — animal liability							1,379	1,379
Medical							155,229	155,229
Postage and delivery service			762					762
Depreciation	7,520	28	11	5	1	26	84	7,675
Total operating expenses	38,100	2,468	1,157	10,670	373	8,778	208,916	270,462
Operating income (loss)	1,025	45	8	(1,294)	151	(1,366)	(27,594)	(29,025)
Non-operating revenue (expenses):								
Investment income							2,216	2,216
(Loss) on sale of property	(634)							(634)
Total non-operating revenues (expenses)	(634)						2,216	1,582
Net income (loss)	391	45	8	(1,294)	151	(1,366)	(25,378)	(27,443)
Retained earnings (deficit) —								
July 1, 1996	2,367	(455)	7	3,474	1,124	(966)	(19,338)	(13,787)
Retained earnings (deficit) —								
June 30, 1997	2,758	(410)	15	2,180	1,275	(2,332)	(44,716)	(41,230)
Contributed capital —								
July 1, 1996	50,442	147	37	32				50,658
Additions, net	1,112							1,112
Contributed capital —								
June 30, 1997	51,554	147	37	32				51,770
Total equity (deficit) —								
June 30, 1997	\$54,312	\$ (263)	\$ 52	\$ 2,212	\$1,275	\$ (2,332)	\$ (44,716)	\$ 10,540

CITY OF BALTIMORE
Combining Statement of Cash Flows
Internal Service Funds
for the year ended June 30, 1997

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Electronic Equipment Maintenance	Construction Management and Inspection	Risk Management	Total
Cash flows from operating activities:								
Net operating income (loss)	\$ 1,025	\$ 45	\$ 8	\$(1,294)	\$ 151	\$(1,366)	\$(27,594)	\$(29,025)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	7,520	28	11	5	1	26	84	7,675
(Increase) in accounts receivable	(65)	(190)			(6)		(1,335)	(1,596)
(Increase) decrease in inventories	209	18	(2)		1			226
(Increase) in other assets							(34)	(34)
Increase (decrease) in accounts payable and accrued liabilities	173	48	(7)	2,385	(2)	(9)	449	3,037
Increase in due to other funds		137				911		1,048
Increase in estimated liability for claims in progress							17,275	17,275
Increase (decrease) in other liabilities	(296)	(61)	1		(15)	(318)	(12)	(701)
Net cash provided (used) by operating activities	8,566	25	11	1,096	130	(756)	(11,167)	(2,095)
Cash flows from capital and related financing activities:								
Acquisition and construction of capital assets	(8,703)	(25)				(32)	(120)	(8,880)
(Loss) from the sale of property	(634)							(634)
Capital contributed	1,112							1,112
Net cash used by capital and related financing activities	(8,225)	(25)				(32)	(120)	(8,402)
Cash flows from investing activities:								
Proceeds from sale and maturities of investments							17,077	17,077
Purchase of investment securities							(395)	(395)
Interest on investments							2,216	2,216
Net cash provided by investing activities							18,898	18,898
Net increase (decrease) in cash and cash equivalents	341		11	1,096	130	(788)	7,611	8,401
Cash and cash equivalents, July 1, 1996	12,018		22	3,666	1,037	788	25,619	43,150
Cash and cash equivalents, June 30, 1997	\$12,359		\$33	\$ 4,762	\$1,167		\$ 33,230	\$ 51,551

CITY OF BALTIMORE
Combining Balance Sheet
Trust and Agency Funds
June 30, 1997

(Expressed in Thousands)

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	Expendable Trust Fund	Nonexpendable Trust Funds		Agency Funds								
	Scholarship	Enoch Pratt Free Library	Memorials	Total Pension Trust Funds	Deferred Compensation Plan	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waxter Center Accessory	Waterloo Summit	Recreation Accessory	Total
ASSETS												
Cash and cash equivalents	\$1,677	\$ 7	\$1,001	\$ 94,924	\$ 42	\$67	\$529	\$116	\$13		\$487	\$ 98,863
Investments	384	2,107	2,429	2,885,473	116,013					\$97		3,006,503
Due from other funds				11,340								11,340
Other assets, principally accrued interest receivable	6	30	27	9,559								9,622
Total assets	\$2,067	\$2,144	\$3,457	\$3,001,296	\$116,055	\$67	\$529	\$116	\$13	\$97	\$487	\$3,126,328
LIABILITIES AND FUND BALANCE												
Liabilities:												
Accounts payable and accrued liabilities				\$ 1,955		\$67	\$529	\$116	\$13	\$97	\$487	\$ 3,264
Pension benefits payable				9,016								9,016
Deferred compensation benefits					\$116,055							116,055
Due to other funds				11,340								11,340
Total liabilities				22,311	116,055	67	529	116	13	97	487	139,675
Fund balance:												
Reserved for:												
Pension benefits				2,978,985								2,978,985
Library services		\$2,144										2,144
Scholarships and memorials	\$2,067		\$3,457									5,524
Total fund balance	2,067	2,144	3,457	2,978,985								2,986,653
Total liabilities and fund balance	\$2,067	\$2,144	\$3,457	\$3,001,296	\$116,055	\$67	\$529	\$116	\$13	\$97	\$487	\$3,126,328

CITY OF BALTIMORE
Combining Statement of Net Plan Assets
Pension Trust Funds
June 30, 1997
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Retirement System	Total
ASSETS				
Cash and cash equivalents	\$ 31,489	\$ 614	\$ 62,821	\$ 94,924
Investments	1,081,213	8,901	1,795,359	2,885,473
Other assets, principally accrued interest receivable	3,672	6	5,881	9,559
Due from other funds	11,340			11,340
Total assets	1,127,714	9,521	1,864,061	3,001,296
LIABILITIES				
Accounts payable	381	10	1,564	1,955
Pension benefits payable	4,673	24	4,319	9,016
Due to other funds			11,340	11,340
Total liabilities	5,054	34	17,223	22,311
Net assets held in trust for pension benefits, June 30, 1997	\$1,122,660	\$9,487	\$1,846,838	\$2,978,985

CITY OF BALTIMORE
Statement of Revenues, Expenditures and Changes in Fund Balance
Expendable Trust Fund
for the year ended June 30, 1997
(Expressed in Thousands)

	Scholarship
Revenues:	
Interest and other investment income	\$ 114
Contributions	8
Total revenues	122
Expenditures:	
Total expenditures — education	42
Excess of revenues over expenditures	80
Fund balance, July 1, 1996	1,987
Fund balance, June 30, 1997	\$2,067

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses and Changes in Fund Balance
Nonexpendable Trust Funds
for the year ended June 30, 1997
(Expressed in Thousands)

	Enoch Pratt Free Library	Memorials	Total
Revenues:			
Contributions		\$ 14	\$ 14
Interest and other investment income	\$ 183	287	470
Total revenues	183	301	484
Expenses:			
Total expenses — claims, awards and benefits	177	55	232
Net income	6	246	252
Fund balance, July 1, 1996	2,138	3,211	5,349
Fund balance, June 30, 1997	\$2,144	\$3,457	\$5,601

CITY OF BALTIMORE
Combining Statement of Cash Flows
Nonexpendable Trust Funds
for the year ended June 30, 1997
(Expressed in Thousands)

	Enoch Pratt Free Library	Memorials	Total
Cash flows from operating activities:			
Net operating income	\$ 6	\$ 246	\$ 252
Adjustments to reconcile net operating income to net cash used by operating activities:			
Interest and other investment income	(183)	(287)	(470)
(Increase) in other assets	(4)		(4)
Net cash used by operating activities	(181)	(41)	(222)
Cash flows from investing activities:			
(Purchase) sale of investments	4	(115)	(111)
Interest and other investment income	183	287	470
Net cash provided by investing activities	187	172	359
Net increase in cash and cash equivalents	6	131	137
Cash and cash equivalents, July 1, 1996	1	870	871
Cash and cash equivalents, June 30, 1997	\$ 7	\$1,001	\$1,008

CITY OF BALTIMORE
Combining Statement of Changes in Net Plan Assets
Pension Trust Funds
for the year ended June 30, 1997
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Retirement System	Total
Additions:				
Contributions:				
Employer	\$ 19,680	\$ 237	\$ 9,305	\$ 29,222
Employee	730	92	6,800	7,622
Investment income:				
Net appreciation in fair market value of investments	165,729	2,126	262,568	430,423
Interest and dividend income	37,594	2	57,843	95,439
Total additions	223,733	2,457	336,516	562,706
Deductions:				
Retirement allowances	64,925	336	86,806	152,067
Death benefits	2,041	11	1,287	3,339
Administrative expense	1,376		858	2,234
Other	178		382	560
Total deductions	68,520	347	89,333	158,200
Net increase	155,213	2,110	247,183	404,506
Net assets held in trust for pension benefits:				
July 1, 1996	967,447	7,377	1,599,655	2,574,479
June 30, 1997	\$1,122,660	\$9,487	\$1,846,838	\$2,978,985

CITY OF BALTIMORE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
for the year ended June 30, 1997
(Expressed in Thousands)

	Balance July 1, 1996	Additions	Deductions	Balance June 30, 1997
<u>Deferred Compensation Plan</u>				
Assets:				
Cash	\$ 42			\$ 42
Investments	103,716	\$62,067	\$49,770	116,013
Total assets	103,758	62,067	49,770	116,055
Liabilities:				
Deferred compensation benefits	103,758	62,067	49,770	116,055
Total liabilities	103,758	62,067	49,770	116,055
<u>Unpresented Stock and Coupon Bonds</u>				
Assets:				
Cash	67			67
Total assets	67			67
Liabilities:				
Accounts payable and accrued liabilities	45			45
Other	22			22
Total liabilities	67			67
<u>Property Sold for Taxes</u>				
Assets:				
Cash	666	343	480	529
Total assets	666	343	480	529
Liabilities:				
Other	666	343	480	529
Total liabilities	666	343	480	529
<u>Bid Deposit Refunds</u>				
Assets:				
Cash	40	158	82	116
Total assets	40	158	82	116
Liabilities:				
Other	40	158	82	116
Total liabilities	40	158	82	116
<u>Waxter Center Accessory</u>				
Assets:				
Cash	13			13
Total assets	13			13
Liabilities:				
Other	13			13
Total liabilities	13			13
<u>Waterloo Summit</u>				
Assets:				
Investments	71	39	13	97
Total assets	71	39	13	97
Liabilities:				
Other	71	39	13	97
Total liabilities	71	39	13	97
<u>Recreation Accessory</u>				
Assets:				
Cash	686	1,241	1,440	487
Total assets	686	1,241	1,440	487
Liabilities:				
Other	686	1,241	1,440	487
Total liabilities	686	1,241	1,440	487
<u>Total-All Agency Funds</u>				
Assets:				
Cash	1,514	1,742	2,002	1,254
Investments	103,787	62,106	49,783	116,110
Total assets	105,301	63,848	51,785	117,364
Liabilities:				
Deferred compensation benefits	103,758	62,067	49,770	116,055
Accounts payable and accrued liabilities	45			45
Other	1,498	1,781	2,015	1,264
Total liabilities	\$105,301	\$63,848	\$51,785	\$117,364



STATISTICAL SECTION

CITY OF BALTIMORE
General Governmental Revenues by Source (GAAP Basis)
Last Ten Fiscal Years (1)

(Expressed in Thousands)

Unaudited

Fiscal Year	State Shared Revenue and Taxes	Licenses and Permits	Federal, State and Other Grants	Charges for Services	Fines and Forfeitures	Interest, Rental and Other Investment Income	Miscellaneous	Total
1988	\$720,225	\$10,765	\$580,509	\$26,836	\$3,627	\$37,907	\$22,032	\$1,401,901
1989	738,667	10,955	570,922	30,099	4,330	55,590	9,526	1,420,089
1990	770,480	12,786	602,593	30,410	3,758	45,509	25,177	1,490,713
1991	783,628	14,010	662,819	31,580	5,046	47,415	5,561	1,550,059
1992	778,647	14,844	625,477	33,704	4,795	46,867	3,517	1,507,851
1993	806,534	15,149	653,700	39,170	5,463	42,527	5,177	1,567,720
1994	824,907	15,569	740,932	42,727	2,657	41,981	20,125	1,688,898
1995	828,484	17,575	787,550	33,661	2,225	51,692	7,496	1,728,683
1996	828,756	16,636	852,279	33,065	2,218	55,480	33,052	1,821,486
1997	855,103	17,744	919,106	32,915	2,287	48,276	8,179	1,883,610

Note:

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

CITY OF BALTIMORE
General Governmental Expenditures by Function (GAAP Basis)
Last Ten Fiscal Years (1)

(Expressed in Thousands)

Unaudited

Fiscal Year	General Government	Public Safety	Corrections	Highways and Streets	Sanitation	Public Library	Conservation of Health	Social Services	Recreation and Culture	Economic Development	Education	Public Service	Debt Service	Capital Expenditures	Total
1988	\$145,179	\$242,844	\$28,763	\$31,389	\$53,612	\$14,743	\$ 89,888	\$14,718	\$42,815	\$ 82,277	\$415,328	\$10,678	\$ 78,433	\$232,882	\$1,483,549
1989	161,765	253,435	36,493	33,818	56,146	16,012	103,109	10,288	44,632	70,320	443,862	10,497	165,151	179,886	1,585,414
1990	159,592	274,887	37,864	40,169	58,300	15,690	105,086	10,065	43,034	69,222	471,937	8,074	72,902	171,486	1,538,308
1991	169,863	291,560	39,582	41,321	58,008	16,941	123,366	10,423	42,729	72,522	511,303	8,259	75,549	165,881	1,627,307
1992	170,528	292,415	4,752	39,841	53,717	15,940	123,196	12,028	42,139	58,620	542,136	8,504	90,502	162,292	1,616,610
1993	168,313	299,704		43,927	54,378	16,416	134,655	13,536	38,448	76,270	560,578	8,979	102,615	105,189	1,623,008
1994	174,798	310,604		44,362	62,017	18,139	152,560	12,910	40,634	113,328	626,293	8,955	99,697	94,285	1,758,582
1995	178,597	320,873		43,888	60,681	18,701	173,231	14,628	41,907	105,681	637,729	8,377	129,341	124,682	1,858,316
1996	196,103	331,597		86,570	33,267	20,996	166,160	17,048	42,082	88,260	704,324	6,925	57,657	153,531	1,904,520
1997	197,620	319,234		79,504	31,839	21,770	180,654	19,026	41,138	74,817	744,639	9,049	44,486	162,534	1,926,310

Note:

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

CITY OF BALTIMORE
Property Tax Levies and Collections
Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Unaudited

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Current and Prior Years' Adjustments	Outstanding Delinquent Taxes (a)	Percent of Delinquent Taxes to Tax Levy
1988	\$390,401	\$382,071	97.9%	\$4,550	\$386,621	99.0%	\$ (2,366)	\$10,205	2.6%
1989	422,419	411,735	97.5	3,459	415,194	98.3	(4,380)	13,050	3.1
1990	448,426	433,163	96.6	5,647	438,810	97.9	(5,788)	16,878	3.8
1991	458,041	448,749	98.0	7,159	455,908	99.5	(3,310)	15,701	3.4
1992	477,796	461,228	96.5	3,284	464,512	97.2	(11,636)	17,349	3.6
1993	486,949	469,004	96.3	6,622	475,626	97.7	(9,605)	19,067	3.9
1994	485,291	471,864	97.2	4,629	476,493	98.2	(13,942)	13,923	2.9
1995	481,529	469,075	97.4	3,336	472,411	98.1	(10,581)	12,460	2.6
1996	482,014	463,887	96.2	526	464,413	96.3	(11,861)	18,200	3.8
1997	483,009	466,782	96.6	7,043	473,825	98.1	(11,158)	16,226	3.4

Note:

- (a) Excludes State portion of delinquent property taxes, which at June 30, 1997 totaled \$264,000. This column is net of additions, abatements and provision for doubtful accounts.

CITY OF BALTIMORE
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Unaudited

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1988	\$5,540,528	\$12,289,383	\$1,041,621	\$1,041,621	\$6,582,149	\$13,331,004	49.4%
1989	5,984,005	13,368,483	1,098,313	1,098,313	7,082,318	14,466,796	49.0
1990	6,394,618	14,529,856	1,186,538	1,186,538	7,581,156	15,716,394	48.2
1991	6,540,390	15,476,647	1,172,207	1,172,207	7,712,597	16,648,854	46.3
1992	6,743,056	16,304,564	1,375,767	1,375,767	8,118,823	17,680,331	45.9
1993	6,909,633	16,688,960	1,375,816	1,375,816	8,285,449	18,064,776	45.9
1994	6,919,889	17,080,579	1,312,421	1,312,421	8,232,310	18,393,000	44.8
1995	6,878,428	16,941,298	1,361,857	1,361,857	8,240,285	18,303,155	45.0
1996	6,867,382	16,782,536	1,382,719	1,382,719	8,250,101	18,165,255	45.4
1997	6,864,457	16,695,103	1,416,870	1,416,870	8,281,327	18,111,973	45.7

Note:

Assessed values are established by the Maryland State Department of Assessments on July 1 of each year. Each real property's assessment is reevaluated every three years.

CITY OF BALTIMORE

Property Tax Rates (1)

Last Ten Fiscal Years

Unaudited

	Fiscal Year	City Tax Rate	State Tax Rate(2)	Total(3)
	1988	\$6.00	\$.21	\$6.21
	1989	6.00	.21	6.21
	1990	5.95	.21	6.16
	1991	5.95	.21	6.16
	1992	5.90	.21	6.11
	1993	5.90	.21	6.11
	1994	5.90	.21	6.11
	1995	5.85	.21	6.06
	1996	5.85	.21	6.06
	1997	5.85	.21	6.06

Notes:

- (1) Tax rates are for each \$100 of assessed valuation.
- (2) The State tax rate is shown for informational purposes only, since the City acts in the role of collector and does not report this portion of the property tax as revenue.
- (3) The City has no special assessments.

CITY OF BALTIMORE

**Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures**

Last Ten Fiscal Years (2)

(Dollars Expressed in Thousands)

Unaudited

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures (1)	Ratio of Total Debt Service to Total General Expenditures (2)
1988	\$43,994	\$31,369	\$75,363	\$1,217,058	6.2%
1989	38,152 (3)	29,757	67,909	1,379,713	4.9
1990	37,674 (4)	30,796 (5)	68,470	1,349,457	5.1
1991	44,752	29,067 (6)	73,819	1,446,676	5.1
1992	51,798 (7)	29,575 (8)	81,373	1,446,527	5.6
1993	64,485 (9)	29,166 (10)	93,651	1,502,556	6.2
1994	59,334 (11)	29,751 (12)	89,085	1,618,273	5.5
1995	47,464 (13)	27,807 (14)	75,271	1,693,767	4.4
1996	24,019 (15)	29,481 (16)	53,500	1,725,382	3.1
1997	13,618 (17)	26,997 (18)	40,615	1,739,062	2.3

Notes:

- (1) Includes General, Special Revenue and Debt Service Funds.
- (2) The City has no legal debt margin, however, all bond issues must be approved by the State Legislature. The City has no overlapping debt.
- (3) Excludes \$98,100,000 in bond anticipation notes.
- (4) Excludes \$2,575,000 in federal loans.
- (5) Excludes \$1,801,000 in federal loans.
- (6) Excludes \$1,699,000 in federal loans.
- (7) Excludes \$6,616,000 in federal loans.
- (8) Excludes \$2,159,000 in federal loans.
- (9) Excludes \$7,010,000 in federal loans.
- (10) Excludes \$1,863,000 in federal loans.
- (11) Excludes \$7,390,000 in federal loans.
- (12) Excludes \$1,256,000 in federal loans.
- (13) Excludes \$3,390,000 in federal loans.
- (14) Excludes \$890,000 in federal loans.
- (15) Excludes \$3,315,000 in federal loans.
- (16) Excludes \$842,000 in federal loans.
- (17) Excludes \$3,376,000 in federal loans.
- (18) Excludes \$495,000 in federal loans.

CITY OF BALTIMORE
Ratio of Net General Bonded Debt to Assessed Value
and Net General Bonded Debt Per Capita
Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Unaudited

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Deduct Other Self-Supporting Debt	Funds Available In Debt Service Fund	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita (Rounded to nearest dollar)
1988	750,900	\$6,582,149	\$383,677	\$109,338	\$ 9,423	\$264,916	4.0%	\$353
1989	747,500	7,082,318	376,677	130,664	13,804	232,209	3.3	311
1990	736,014	7,581,156	365,062	58,263(1)	19,817	286,982	3.8	390
1991	733,800	7,712,597	374,997	50,346	24,077	300,574	3.9	410
1992	730,300	8,118,823	392,462	50,750	28,787	312,925	3.9	428
1993	723,500	8,285,449	407,190	50,406	29,356	327,428	4.0	453
1994	709,200	8,232,310	392,840	45,190	21,388	326,262	4.0	460
1995	700,000	8,240,285	390,814	44,712	39,250	306,852	3.7	438
1996	683,300	8,250,101	416,293	43,826	34,926	337,541	4.1	494
1997	669,900	8,281,327	441,435	41,991	36,485	362,959	4.4	542

Note:

Composition of other self-supporting debt at June 30, 1997 was:

Off-street parking facilities general obligation bonds and notes (portion reimbursable by private operators)	\$33,978
Water utility general obligation bonds	3,913
Waste water utility general obligation bonds	4,100
Total	<u>\$41,991</u>

(1) During 1990, the City changed its method of calculating the self-supporting debt. This change has the effect of decreasing other self-supporting debt and increasing general bonded debt.

CITY OF BALTIMORE
Revenue Bond Coverage
Water Utility, Waste Water Utility,
Parking Facilities and Convention Center Bonds
Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Unaudited

	Fiscal Year	Gross Revenue	Direct Operating Expenses(1)	Net Revenue Available for Debt Service	Debt Service Requirements			
					Principal	Interest	Total	Coverage
Water Utility	1988	\$42,740	\$35,533	\$ 7,207	\$ 260	\$ 872	\$ 1,132	6.37
	1989	44,649	38,662	5,987	280	853	1,133	5.28
	1990	51,821	41,785	10,036	300	796	1,096	9.16
	1991	51,807	43,450	8,357		3,422	3,422	2.44
	1992	54,951	45,196	9,755		3,779	3,779	2.58
	1993	56,679	44,520	12,159		4,786	4,786	2.54
	1994	75,734	48,842	26,892		4,041	4,041	6.65
	1995	61,475	49,149	12,326	655	5,427	6,082	2.03
	1996	64,067	52,357	11,710	1,505	5,385	6,890	1.70
	1997	69,640	55,293	14,347	1,705	6,459	8,164	1.76
Waste Water Utility	1988	58,881	49,209	9,672	300	993	1,293	7.48
	1989	69,274	61,721	7,553	320	981	1,301	5.81
	1990	77,015	75,280	1,735	345	810	1,155	1.50
	1991	71,252	70,284	968		1,005	1,005	.96
	1992	76,416	69,623	6,793		1,267	1,267	5.36
	1993	88,043	67,519	20,524		1,903	1,903	10.79
	1994	89,988	74,804	15,184		1,954	1,954	7.77
	1995	87,064	80,627	6,437	3,167	3,172	6,339	1.02
	1996	91,466	82,095	9,371	2,094	3,594	5,688	1.65
	1997	100,405	88,060	12,345	2,112	4,180	6,292	1.96
Parking Facilities	1988	18,398	1,538	16,860		6,781	6,781	2.49
	1989	21,325	1,630	19,695	1,325	6,932	8,257	2.39
	1990	30,394	1,908	28,486	1,380	6,242	7,622	3.74
	1991	30,435	2,054	28,381	1,435	4,911	6,346	4.47
	1992	35,154	2,866	32,288	1,495	6,571	8,066	4.00
	1993	35,686	2,207	33,479	1,575	7,883	9,458	3.54
	1994	33,429	3,536	29,893		4,667	4,667	6.41
	1995	33,741	2,563	31,178	275	7,295	7,570	4.12
	1996	33,361	3,033	30,328	2,085	6,720	8,805	3.44
	1997	37,382	3,715	33,667	2,620	10,289	12,909	2.61
Convention Center(2)	1995	8,721		8,721		1,904	1,904	4.58
	1996	9,591		9,591		3,265	3,265	2.94
	1997	11,059		11,059		3,265	3,265	3.39

Notes:

- (1) Operating expenses — excluding depreciation and amortization.
- (2) Bonds issued during fiscal year 1995.

CITY OF BALTIMORE
Computation of Overlapping Debt
June 30, 1997
Unaudited

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE
Real Property Value, Construction Permits and Bank Deposits
Last Ten Fiscal Years
(Dollars Expressed in Thousands)
Unaudited

Fiscal Year	Commercial Construction (3)		Residential Construction (3)		Real Property Value (2)			Commercial Bank Deposits (5)
	Number of Permits	Value (1)	Number of Units	Value	Commercial	Residential	Exempt	
1988	2,713	\$329,529	375	\$26,529	\$5,033,494	\$7,255,889	\$5,268,319	\$ 9,848,893
1989	2,610	475,096	824	60,818	5,609,220	7,759,263	5,248,270	10,572,518
1990	2,524	290,708	304	23,289	6,114,452	8,415,404	5,937,985	11,592,752
1991	2,820	281,856	604	40,594	6,547,311	8,929,336	6,378,703	11,524,141
1992	2,419	215,277	208	10,086	6,698,397	9,606,167	6,662,506	9,663,868
1993	966 (4)	211,162	156	6,704	6,959,775	9,729,185	6,984,155	8,204,950
1994	1,015	128,089	304	15,276	7,218,642	9,861,937	7,080,398	7,584,447
1995	1,201	223,963	300	17,167	6,868,865	10,072,433	7,416,788	7,305,798
1996	1,472	563,801	310	29,593	6,527,246	10,255,289	8,326,719	6,442,122
1997	1,039	476,169	178	57,792	6,833,124	10,485,062	7,510,520	

Notes:

- (1) Includes additions, conversions and razings.
- (2) Source: State of Maryland Department of Assessments and Taxation.
- (3) Source: City of Baltimore, Bureau of Accounting and Management Information Services.
- (4) Beginning July 1, 1985, permits, with a value under \$1,000 were no longer reported. Effective July 1, 1992, only permits with a value of \$10,000 or more are reported.
- (5) Source: FDIC Data Book for respective years, figure for fiscal year 1997 unavailable.

CITY OF BALTIMORE
Principal Taxpayers
for the year ended June 30, 1997
(Dollars Expressed in Thousands)
Unaudited

Taxpayer	Type of Business	1997 Assessed Value	Percentage of Total Assessed Value
Baltimore Gas & Electric Company	Power Utility	\$ 578,951	7.0%
Bell Atlantic — Maryland	Telephone/Communications	296,863	3.6
AT&T Communications of Maryland	Telephone/Communications	58,803	0.7
Baltimore Center Associates Ltd. Partnership	Real Estate	47,616	0.6
Wheelabrator Baltimore L.L.C.	Solid Waste Disposal	33,680	0.4
International Business Machines Corp.	Business Machines	32,200	0.4
CSX Transportation, Inc.	Railroad	30,865	0.4
Baltimore Steam Company	Thermal Energy	21,031	0.2
United Cable TV of Baltimore	Cable Television	19,268	0.2
Pratt Street Hotel	Hotel	16,794	0.2
		<u>\$1,136,071</u>	<u>13.7%</u>

CITY OF BALTIMORE
Demographic and Miscellaneous Statistics
for the year ended June 30, 1997
Unaudited

Form and Structure

City incorporated in 1797 with Home Rule Charter since 1918

Executive and Legislative Officials:

Mayor	runs city-wide
Comptroller	runs city-wide
City Council, President	runs city-wide
Other City Council Members	by district
Above officials serve concurrent four year terms with no term limits. There are three Council Members in each of the six districts	

Infrastructure

Police Stations	18
Fire Stations	49
Public Schools:	
Elementary	108
Middle	25
Secondary	17
Other Facilities	22
Street miles	1,602
Storm Sewer miles	7,900
Sanitary Sewer miles	1,813
Park acreage	6,414
Recreation Facilities:	
Zoo (attendance)	642,000
Arena (attendance)	673,000
Aquarium (attendance)	1.6 million
Pools and Beaches	10
Golf Courses	5
Ice Rinks	2
Indoor Soccer Fields	2
Library Facilities	22
Volumes (millions)	2.3
Circulation (millions)	1.4
Other Facilities (attendance):	
Oriole Park at Camden Yards	3.7 million
Memorial Stadium	640,000
Convention Center	407,000
Baltimore Museum of Art	317,000
Walters Art Gallery	307,000
Meyerhoff Symphony Hall	462,000

Principal Public Service Departments

Department	Full Time Budgeted Positions		
	FY1997	FY1993	FY1989
Education	9,740	9,947	10,224
Police	3,878	3,650	3,705
Fire	1,770	1,888	2,013
Public Works	5,754	6,030	6,149
Recreation and Parks	582	728	972
All Other Employees	4,180	4,195	6,495
Total	25,904	26,438	29,558

Economy

	FY1997	FY1993	FY1989
Retail Sales	\$ 4.2B	\$ 3.6B	\$ 3.7B
Income/Cap (1)	(2)\$ 21,803	\$ 19,808	\$ 16,237
Total Employment	296,567	285,685	315,926
% Unemployment	7.9%	10.9%	6.8%
Office Vacancy Rate	19.1%	20.0%	11.7%
Real Property Tax Rate	\$5.85/100	\$5.95/100	\$6.00/100

(1) Calendar year figures.

(2) Calendar year 1995 is the latest year available.

Demographics (thousands)

Fiscal Year	Population(1)	FTEs	Registered Voters	Over 65(1)
1997	669.9	107.4	325.4	93.7
1990	736.1	113.7	386.6	99.8
1980	786.8	136.2	392.8	100.2
1970	905.7	194.1	431.1	95.9
1960	925.2	*198.3	*440.4	84.7

*imputed from 1970 ratio to population

FTEs = Full Time Equivalent Students

(1) Calendar year figures

Demographic Changes

